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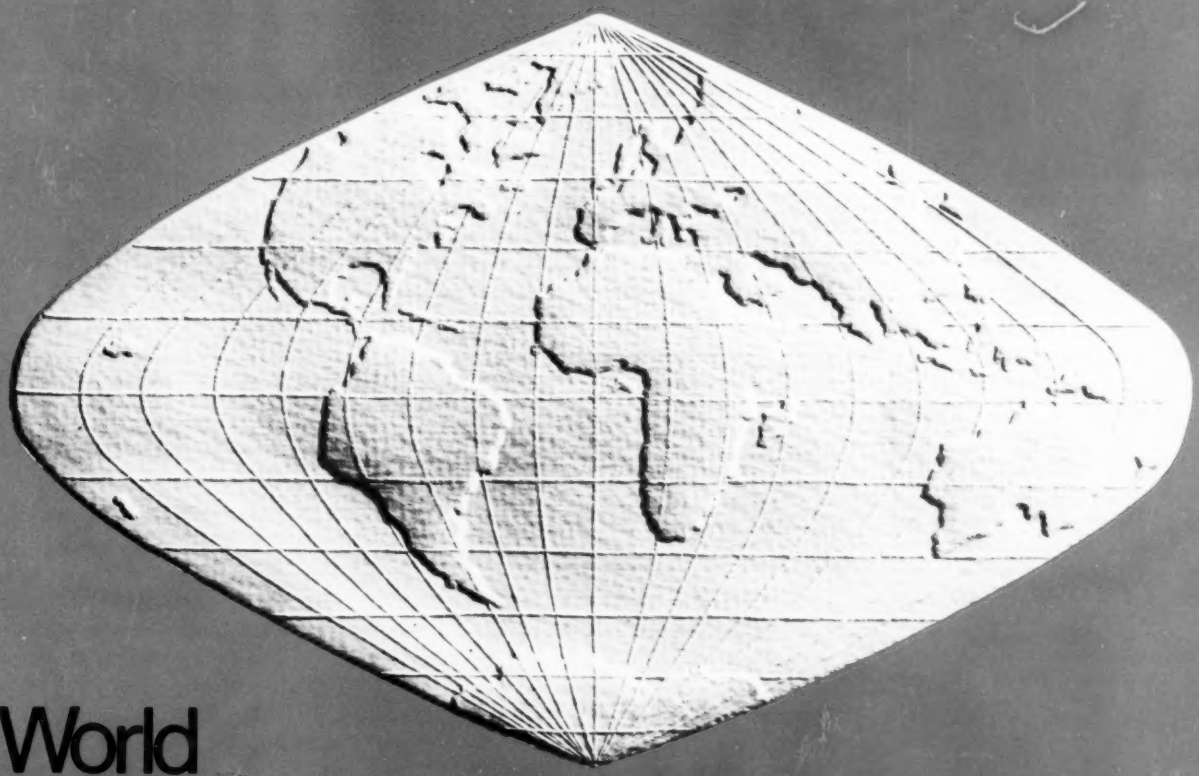

World Trade Outlook Issue

FROM THE SECRETARY

TRADE and INTERDEPENDENCE

This editorial is written by Travis E. Reed, Assistant Secretary of Commerce for Domestic and International Business.

Two hundred years ago, when our country declared its independence, most Americans were farmers. Our exports were derived largely from farms, forests and fisheries, and our imports consisted of such luxuries as tea, porcelain and refined sugar which we did not produce ourselves.

Today we are the most diversified economy in the world. We export the widest and most sophisticated range of products ever known, and draw on the infinite variety of the global marketplace to help satisfy our needs and wants.

In 1790, the first year for which statistics are available, U.S. exports amounted to about $20 million. Now our exports run more than $100 billion a year.

America's growth over the last two centuries illustrates that progress depends primarily on cooperation and trust. And our commercial relations with the other countries of the world illustrate that trade is one of the best mechanisms devised by man to elicit cooperation on an international scale.

No one invented trade. No one devised it as step three of a liberal program for developing the world. It simply evolved. It was useful. It worked. The division of labor among widely separated people was recognized as economically efficient, because it made more of the world's goods available to more of the world's people.

The element of trust and cooperation implicit in international trade is every bit as important, in the long run, as is economic efficiency. Through the metamorphosis of fair exchange, self-seeking turns to mutual advantage, and the parties involved then seek to maintain and expand that mutual advantage through further exchanges.

As a result, the expectation of mutual advantage extends to other, non-commercial areas of contact. Trust takes root, and cooperation based on that trust grows between the respective nations of the individual traders.

This is the conceptual ideal of international trade. It hasn't always worked that way, of course. There have been trade wars between nations. Discriminatory trade practices still exist.

But what we should keep in mind is not the extent to which trade has failed as an instrument of international cooperation, but rather the extent to which it has succeeded. Consider, for example, current relationships between the United States and Japan, Germany, the Soviet Union and the People's Republic of China.

These relationships cannot, of course, be attributed solely to the trade between us, but our economic exchange is certainly an important factor.

Trade is no magic wand. But it is an instrument the United States would like to see more effectively used, not simply on a bilateral basis, but multilaterally for the benefit of the entire community of nations.

This means freer trade—trade with fewer restrictions on the free movement of goods, trade that does not sacrifice international goals that benefit all nations to narrow, nationalistic ends that service a few.

This calls for a closer, more reasoned analysis of the logic of free trade—a logic that is now being put to the test in the current international trade negotiations in Geneva.

The more that nations become economically interdependent, the less will they be inclined toward conflict. And a prosperous peace will become the status quo. ☆

COMMERCE AMERICA
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CONTENTS

Vol. I, No. 3, February 2, 1976

2
Economic Highlights
Revisions of major economic statistics offer a slightly different view of key measures. For example, the 1973-75 recession was somewhat shallower than previously reported; the same holds for previous downturns, and recovery periods turned out to be less robust.

4
U.S. Trade Forecast For 1976
Last year's record surplus will be reduced as U.S. recovery moves at faster pace than abroad, stimulating growth in imports more vigorously than exports.

7 **Latin America: U.S. Sales May Reach $19 Billion**
Individual reports cover Andean Common Market, Argentina, Brazil, Caribbean, Central America and Mexico. Canada is reviewed on page 6.

12 **Western Europe: Prospective Recovery To Stimulate Imports**
Reports from Belgium, France, Germany, Italy, Netherlands, Spain, Sweden, Switzerland, United Kingdom, Austria, Denmark, Finland, Norway, Portugal, Yugoslavia, Greece and Turkey.

23 **Socialist Nations: U.S. Trade Balance Will Again Be In Surplus**
Outlook in eight nations: Bulgaria, China, Czechoslovakia, German Democratic Republic, Hungary, Poland, Romania, Soviet Union.

28 **Near East—North Africa: Boom Area Is Buying More From U.S.**
Prospects in Israel, Algeria, Egypt, Iran, Kuwait, Saudi Arabia, United Arab Emirates, Iraq, Libyan Arab Republic, Morocco, Tunisia.

36 **Far East—South Asia: Slow Pace Of Recovery Affects Trade Levels**
Individual summary reports on Japan, Australia, India, Taiwan, Korea, Philippines, Hong Kong, Indonesia, New Zealand, Pakistan, Singapore, Thailand.

44 **Sub-Sahara Africa: Ambitious Economic Plans Spur Business**
Trends described in South Africa, Nigeria, Ivory Coast, Kenya, Sudan, Zaire, Zambia. Table shows U.S. market share in countries not otherwise reported.

COVER: This special World Trade Outlook issue details the current economic conditions and outlook for U.S. sales in the major trading nations. The 70 regional and country summaries are based on recent reports from U.S. Foreign Service Posts, analyzed by Commerce Department specialists.

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ECONOMIC HIGHLIGHTS

Revisions Offer Slightly Different Perspective

Economic Highlights is prepared by James L. Pate, Assistant Secretary of Commerce for Economic Affairs.

A large-scale revision of the National Income and Product Accounts provides a slightly different perspective on some key figures on the economy. For example, the new data, going back to 1946, show that recessions generally were a little shallower and recoveries were slightly less ebullient. Also, corporate profits from current production now show a more typical pattern of behavior in the 1973-75 recession: the decline was much more pronounced than originally estimated and the subsequent rebound during the economic recovery was stronger.

The revisions, just completed by the Bureau of Economic Analysis, incorporate improvements in statistical techniques and refinements in concepts, as well as new benchmark data from the various economic censuses of the past 13 years. Similar comprehensive revisions have been made five times previously in the postwar period, the last one in 1965. The new figures also reflect the regular annual revision of the three most recent years, postponed from last July.

While the revision had a considerable impact on some of the subgroups in the Gross National Product (GNP), it resulted in only minor changes in the trends of overall GNP. The swings between peaks and troughs were less pronounced in the new figures, but the timing of the turning points remained the same, with one exception: the trough in the 1960-61 recession has been moved back from the first quarter of 1961 to the fourth quarter of 1960.

The base year for GNP in real dollars has been updated from 1958 to 1972. As a result, the differences between current-dollar and constant-dollar GNP for recent years are now much less. Also presented are several new constant-dollar estimates, including net national product and national income.

The accompanying table shows the revisions in the GNP and national income estimates for calendar year 1974, separating the changes due to new source statistics from those due to new classifications and definitions. In all, 20 changes were made in classifications and definitions, but most of these were minor.

The most important change is the introduction of capital consumption adjustments. The capital consumption allowances formerly used were derived primarily from depreciation data reported in business tax returns. These data had two shortcomings: they did not necessarily correspond to the actual rate at which fixed capital was used up, and they were based on the historical cost rather than the current replacement cost of capital assets. The difference between historical cost and replacement cost has become much larger in recent years because of the higher rate of inflation. The new capital consumption adjustments represent an effort to correct these deficiencies, thereby providing a more suitable basis for the calculation of profit-type income from current production.

The impact of the capital consumption adjustment falls chiefly on business profits from current production (which include the inventory valuation adjustment) and rental income.

In 1974, this adjustment acted to reduce corporate profits from current production by $2.3 billion. In earlier years, however, the impact of the new adjustment is mixed; its effect on corporate profits is downward prior to 1961, but upward from 1962 to 1973. In the housing area, the conversion to the higher current prices necessarily involves a substantial increase in housing depreciation. This depreciation shows up in the table as a subtraction of $12 billion from rental income of persons in 1974. The reduction in rental income lessens, in turn, total personal income, disposable personal income, and personal saving.

Mobile homes were formerly classified with recreational trailers and included in consumer purchases of durable goods. They are now included in residential investment. Mobile home purchases amounted to $3.3 billion in 1974. However, as owner-occupied housing, they are now assumed to have an imputed rent (the theoretical rent that homeowners, as tenants, are assumed to pay themselves, as landlords, thus keeping uniform the treatment of owner-occupied and renter-occupied housing in the GNP accounts). This imputed rent increases consumer expenditures for services by $3.8 billion in 1974.

A similar important change is the transfer of landlords' purchases of home appliances—$1.3 billion in 1974—from consumer durables to residential investment, where it is carried in a new subgroup, producers' durable equipment. This also increases consumer services because of the rent which tenants pay

Major Revisions in the Gross National Product and National Income, Selected Groups, 1974 (in billions)

	Total Change	Change due to: New Statistical Data	Change due to: New Definitions and Classifications
Gross National Product	$ 9.5	$ 2.3	$ 7.2
Personal Consumption Expenditures	9.1	8.6	.5
Goods	−10.1	−5.2	−4.9
Services	19.3	13.9	5.4
Fixed Investment Total	7.3	2.2	5.1
Residential	8.6	4.0	4.6
Change in Business Inventories	− 4.5	−4.5	—
Net Exports	5.6	1.4	4.2
Government Purchases	− 8.1	−5.4	−2.7
Federal	− 5.2	− .1	−5.1
State & Local	− 2.9	−5.3	2.4
National Income	$−1.4	$ 6.5	$−7.8
Compensation of Employees	17.3	15.4	1.9
Proprietors' Income [1]	− 7.9	−9.2	1.3
Rental Income of Persons [2]	− 5.6	6.7	−12.3
Corporate Profits [1]	−14.4	−9.8	− 4.5
Profits before Tax	− 8.6	−6.4	− 2.2
Net Interest	9.2	3.4	5.7
Personal Income	4.2	16.1	−11.9
Disposable Personal Income	3.9	14.5	−10.7
Personal Outlays	6.8	8.4	− 1.6
Personal Savings	− 3.0	6.1	− 9.1

[1] Including inventory valuation and capital consumption adjustment.
[2] Including capital consumption adjustment.

for the use of electrical appliances.

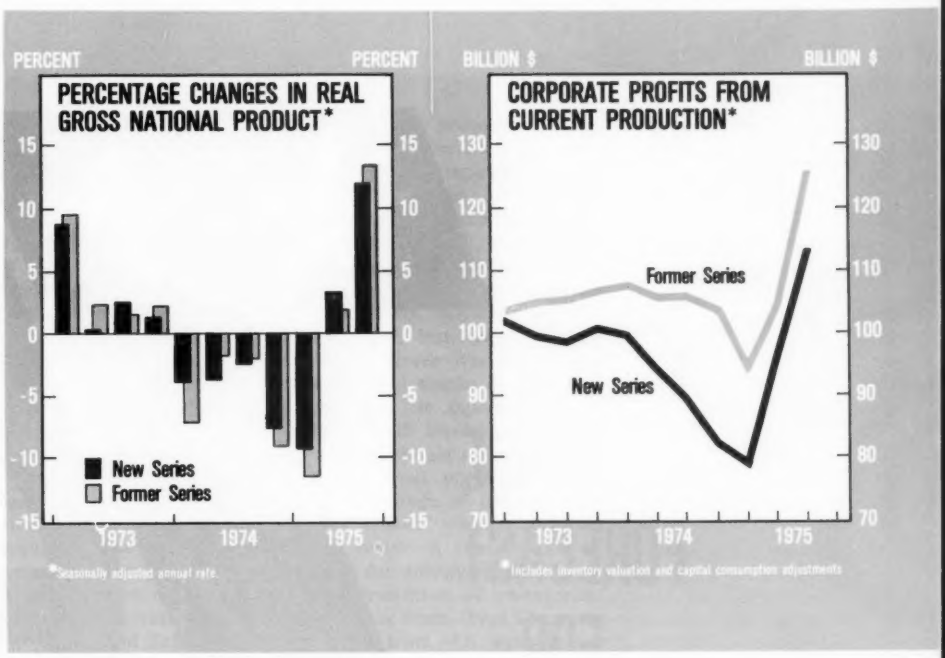
Another change affecting consumer purchases is a refinement in the classification of trucks. Trucks purchased as personal vehicles by individuals are now carried in consumer purchases of goods, rather than in producers' durable equipment. In 1974, trucks purchased for personal use totalled $3 billion.

Two major items in the GNP accounts, net exports and federal purchases, are substantially affected by a change in the classification of interest paid to foreigners. Formerly classified as an import or as a federal purchase, it is now a transfer payment. Since transfers are not payments for current production, they are not counted in the GNP. This reduces imports by $4.3 billion, and consequently increases net exports by a like amount. Federal purchases are reduced by $3.2 billion.

The business inventory estimates in the GNP have been improved by recent surveys of methods which businesses are using in valuing their inventories—whether on a first-in first-out, last-in first-out, or some other basis. Many businesses have changed their valuation method to LIFO in recent years in order to lessen the effect of price inflation on inventory profits and hence on taxes. This information is needed for the proper calculation of the change in business inventories and the inventory valuation adjustment.

Corporate book profits—profits before taxes in the table—are substantially affected by a change in the treatment of dividends received by pension funds. These funds are treated as businesses like insurance companies. In order to avoid double counting, dividends received by businesses must be netted out of corporate profits, since they are already counted in the profits of the company issuing them. Formerly, data on dividends received by pension funds were not available separately from interest and rents, so all were treated as interest. Now, however, the dividends can be netted out. The effect for 1974 is a $2.5 billion reduction in corporate profits.

While corporate profits have been revised markedly downward since 1972, employee compensation has been revised upward. The statistical increase for 1974 shown in the table largely reflects the incorporation of data from the benchmark economic censuses which show a sharp increase in the corporate share of employment and income in construction, trade, and services during the 1960s and '70s. In addition, the large expansion in coverage of the unemployment insurance system in 1972 greatly increased supplements to wages and salaries. Also important in the upward revision of employee compensation were a change in treatment of workmen's compensation and better data both for this and for employer contributions to pension funds.



The result of these changes has been to accentuate a trend already evident in the former data: an increasing share of employee compensation and a declining share of corporate profits in total national income. The profit share of national income had fallen by 1974 to 9.2 percent in the former data and to 8.0 percent in the revised, from 13½ percent in 1965 in both series. The share of employee compensation had risen by 1974 to 74.9 percent in the old series and 76.5 percent in the new, from 70 percent in 1965. A sharp reversal of these trends in the second and third quarters of 1975 may be only a temporary change related to the economic rebound.

The 1973-75 recession is less sharp in the new data than in the old, and the quarterly changes are smoother. From the peak in the fourth quarter of 1973 to the low in the first quarter of 1975, real GNP declined by 6.6 percent in the new series, as against 7.8 percent in the old. Compared with the former series, declines are somewhat smaller in personal consumption expenditures and residential construction, while the offsetting rise in net exports is significantly larger. Within this five-quarter period, the downtrend in GNP in the second and third quarters of 1974 is now somewhat steeper, but the drop in the fourth quarter and in the first quarter of 1975 is markedly less severe.

In the recovery phase, the rise was 3.7 percent in both series from the first to the third quarters of 1975. However, the revised series shows that the rise was a little stronger in the second quarter and not as strong in the third quarter as in the former estimates.

As a result of the revisions, the implicit price deflator now accelerates at a fairly steady pace in each of the quarters of 1973 and 1974, in contrast to the very uneven movements previously. Over this span, the new deflator rises at an annual rate of 10.8 percent, as against 12.6 percent in the old series. In the third quarter of 1975, the new deflator accelerates from the second quarter, in harmony with the movements in the consumer and the wholesale price indexes, while the old deflator declined.

The decline in corporate profits from current production during the past recession is about twice as great as the new series—an annual rate of minus 17.6 percent, compared with minus 9 percent in the old series. The recovery in the second and third quarters of 1975 is also substantially greater in the new series. However, both the drop and subsequent rebound in profits before tax, which exclude the capital consumption and inventory valuation adjustments, are about the same in both series.

In the new series, the rate of decline in real GNP has been significantly reduced in five of the six postwar recessions, especially those of 1948-49, 1957-58, and 1973-75. Reflecting these smaller declines, the rates of gain in the recovery periods have also been reduced somewhat, particularly in 1970-73. Over the whole period from 1948 to 1974, the average annual rate of growth is 3.6 percent in both old and new series. However, the average rate of rise in the GNP deflator is slightly greater in the new series than in the old—3.1 percent, as against 3.0 percent formerly. ☆

U.S. TRADE FORECAST FOR...

Anticipated world economic patterns which will be the major influence on the 1976 U.S. trade position indicate that last year's large surplus is likely to be reduced.

This prospect is based mainly on the expectation that the U.S. recovery, underway for some time, will proceed at a more vigorous pace than the rebound just beginning abroad. Thus there will be an increase in U.S. demand for foreign products, while demand abroad for American goods should be relatively more moderate. Thus, a faster rise in imports than exports, and a consequent decline in the trade surplus, is expected.

Last year, the United States recorded its largest trade surplus ever, as exports continued to increase in value and imports declined significantly. The surplus was 11.1 billion, compared to a $2.3 billion deficit in 1974. This figure uses the f.a.s. transaction basis for imports; if the c.i.f. import figure is used—adding insurance and freight costs—the surplus was $3.8 billion.

U.S. exports, excluding military grant-aid, totaled $107.2 billion in 1975, up 9.5 percent in value over 1974. Imports declined 4.1 percent to $96.1 billion f.a.s. or $103.4 billion c.i.f.

Prospects in the industrial nations, our major markets abroad, portend a relatively modest pickup in demand for U.S. products this year. Recovery from the prolonged slump abroad is likely to be gradual, given lingering problems and uncertainties in many areas, including high unemployment, sluggish investment, and fears of renewed inflationary pressures. Likewise, the ability of non-oil-exporting developing countries to expand their purchases will be constrained by limited reserves. Accordingly, growth in U.S. exports of manufactured goods and other nonagricultural products is likely to continue at a moderate rate. Moreover, the value of farm commodities sold abroad will probably remain level, as prices average lower while volume rises.

Expected expansion in U.S. real GNP this year should lead to a substantial strengthening of import demand in coming months. Increased industrial production and renewed inventory buildup are likely to stimulate a recovery in imports of industrial supplies, and rising personal consumption expenditures should generate resumed growth in consumer goods imports. Declines in both commodity groups were the major factors in the 1975 U.S. import drop. Furthermore, petroleum imports will expand in volume following two annual declines. This rise, coupled with higher prices set by OPEC and other foreign producers, will bring a substantial increase in the amount of the U.S. forein oil bill, which currently accounts for about a

fourth of the total value of United States imports.

Almost all of the 1976 export increase is expected to be in greater sales of nonagricultural products, since little or no rise is seen in farm exports, as already noted. Machinery deliveries will continue to grow in value, but will probably not match last year's 20 percent increase, when such deliveries contributed about half of the entire export advance. Investment expenditures abroad have been generally sluggish for some time, accounting for a considerable deceleration in U.S. machinery export growth in the second half of last year. As a result of lingering economic uncertainties and exxcess capacity in many countries, foreign capital spending will probably remain relatively weak for much of this year, which will hold down the rate of increase in machinery sales. Nevertheless, an expansion in shipments is projected in 1976 as foreign business conditions gradually improve and U.S. firms continue to offer high-quality, technologically sophisticated equipment which is in demand abroad.

The developing nations that export oil will continue to be a growing market for construction tinue to be a growing market for construction machinery as they expand their development programs. Exports of well-drilling equipment are projected to rise further, spurred by oil exploration activity. Agricultural machinery shipments should expand again due to growing farm income in many areas and efforts to increase food production in the developing countries.

Growth in exports of computers and parts was interrupted last year, but a resumption of the uptrend is anticipated. Similarly, an increase is foreseen in shipments of electronic components following last year's substantial decline, as demand strengthens worldwide for consumer goods, the major end-use of semiconductor devices.

Automotive exports to Canada should continue to climb, given forecasts for further improvement in the North American auto market. Since many foreign airlines are currently operating with excess capacity, demand for new planes will remain sluggish and decline in civilian aircraft exports following last year's marginal rise can be expected.

The anticipated pickup in foreign business activity should result in increased exports of some industrial materials which declined or leveled off in 1975. Chemical exports are projected to rise as sales of organic chemicals and plastic materials resume their growth in response to rising industrial production abroad. Likewise, the decline in paper shipments should be reversed or foreign demand for linerboard strengthens. Steel demand abroad is expected to recover slowly and therefore exports are not likely to rise much in volume, although further price increases will boost value somewhat. Coal exports will rise in volume again if foreign steel output picks up, but the average price rise should not match last year's large increase.

Exports of agricultural products will probably not change much in value from the $22 billion level of 1975, given expected world demand and price prospects. The volume of farm shipments should increase this year, but prices will probably average lower. Wheat and corn export quantities are projected to rise on the basis of continued shipments from last year's record U.S. crops and further deliveries against the large Soviet contracts. Export prices for these grains will fall, however, if U.S. production remains high and there are no exceptionally poor harvests in major countries such as occurred in 1975. Similarly, soybean exports will rise in quantity after last year's sharp decline, but prices will be lower due to foreign competition. Near-record world stocks due to sluggish foreign demand last year are expected to hold cotton exports roughly to 1975 levels.

Imports of consumer goods should resume growth this year as expansion in real personal income sparks demands for a wide range of commodities. Receipts of consumer electronics, which slipped in the past two years, will revive. A continuation of last year's strong demand for energy-efficient cars, plus a reversal of 1975's drawdown of inventories, should boost imports of autos from West Germany and Japan as well as those from U.S. subsidiaries in Canada. Higher prices again this year will raise the value.

An increase in demand and another decline in domestic production will result in more petroleum imports. The 10 percent price increase instituted by the OPEC oil cartel last autumn will raise prices over 1975's average. The volume of natural gas from Canada may be lower because of Canadian export restrictions. The value will climb, however, because of higher prices set in the latter half of 1975.

Imports of other industrial supplies are also expected to increase substantially with the industrial production rebound and some inventory rebuilding. A broad-based expansion in demand will strengthen most prices during the year, but they should average no higher than in 1975. Purchasers of nonferrous metals and ores will pick up from the depressed levels of last year. Excess U.S. steel capacity may limit the growth of steel imports, however. Arrivals of lumber will be spurred by the current housing construction revival. Woodpulp and newsprint imports should also expand in quantity in the aftermath of Canadian forest products industry strikes.

The expected domestic recovery in producers' durable equipment outlays will probably result in a corresponding increase in imports of capital goods. Machinery imports are likely to continue to increase, and entries of trucks and buses will probably recover from 1975 levels. Receipts of aircraft parts, however, will post further reductions.

Food imports may rise only moderately in value, with offsetting movements among major commodities. The value of coffee purchases will almost certainly advance because of higher prices resulting from the severe frost damage to coffee production in Brazil. Meat, poultry, and fish imports are expected to grow in volume and price from the reduced levels of 1975. In contrast, sugar imports will probably be lower in value although volume could be higher due to the rebuilding of inventories. ☆

Prospects in the industrial nations, our major markets abroad, portend a relatively modest pickup in demand for U.S. products this year.

Expected expansion in U.S. real GNP this year should lead to a substantial strengthening of import demand in coming months.

CANADA

Recovery Launched Upon Rough Waters

Canada's economy began slowly pulling out of its year-long moderate recession at mid-summer 1975. The rate of recovery in the United States will be a major factor in Canada's progress along the path to significant growth, but domestic problems will pose major obstacles. How well Canada can cope with the latter will bear heavily on the degree of recovery to be experienced in 1976, according to Kenneth Fernandez of the Bureau of International Commerce.

From a stagnant, no-growth situation in mid-1974, the Canadian economy slipped into negative growth in the fourth quarter and continued to be recessionary for most of the first six months of 1975. Real GNP increased by a slight 0.3 percent in the second quarter of 1975, but eased up to 1 percent during the third quarter. This improvement, along with the large volume of inventory liquidation which occurred during the last quarter, indicates that Canada's recession has ended and that real growth will continue. Investment in residential construction and personal expenditure on consumer goods and services, usually the strongest expenditure aggregates in the early stages of recovery, accounted for virtually all of the third quarter real growth.

Problems persist

The index of real domestic product increased 0.7 percent during the third quarter; however, goods' producing industries recorded their sixth consecutive quarterly decline, dropping 0.9 percent. Service-producing industries, on the other hand, posted their strongest quarterly gain to date in 1975, rising 1.6 percent. The lack of growth in the industrial production index, a return to double-digit inflation rates, continued high unemployment and increased interest rates have tempered the optimism presaged by the recent upturn in real GNP. The consumer price index, rising 0.9 percent in November, was up 10.4 percent from a year earlier, while unemployment was holding steady at slightly over 7 percent for the third month running. The high level of wage settlements, currently averaging about 18 percent, could make Canadian goods noncompetitive and exacerbate Canada's balance of payments and inflation problems even further in the year ahead.

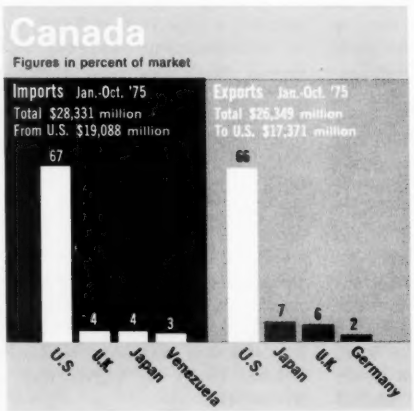
In response, the Canadian Government in mid-October announced plans to implement a three-year program to reduce the rate of inflation from the current 12 percent figure to 4 percent. The program includes guidelines for increases in profits, prices, dividends and incomes. Prices generally may not rise by more than the amount needed to cover added costs, and wages by no more than 12 percent with an upper limit of C.$2,400 per year. Dividends may not increase in the first year. An Anti-Inflation Board has been established to monitor profits, prices, dividends and incomes.

Throughout Canada, consumer demand continues to remain strong as wages outpace the general rate of inflation. Ontario and Quebec reflect the overall Canadian economic picture; however, in Quebec preparations for the 1976 Olympics and other major construction projects are keeping the construction industry active. The British Columbia forest industry, the province's largest, has been plagued by labor problems and lagging U.S. demand. Alberta's economy has been generally buoyant with a relatively low unemployment rate of about 4 percent and with increased oil and gas revenues adding strength to the province's financial position. In Newfoundland, unemployment is extremely high (about 21 percent) but the sustained level of government employment and transfer payments have eased effects of the recession. Nova Scotia has a similar situation with regard to government employment and transfer payments, but its pulp and paper industry is particularly depressed.

For the first 10 months of 1975, global exports were C.$26,179 million, up 1.1 percent in value over the comparable period in 1974, while total imports at C.$28,835 million were up 11.5 percent in value.

Movements in commodity export trade were mixed. Exports of automotive and related products rose C.$463 million, with passenger cars accounting for two-thirds of the rise. Rising deliveries of natural gas, up C.$464 million, were partially offset by a C.$278 million drop in crude oil shipments, chiefly to the United States. Exports to the United States of lumber and pulp declined C.$242 million—newsprint shipments rose C.$100 million.

Imports from the United States rose 11.1 percent to C.$19,410 million during the first ten months of 1975. Increases were largely concentrated in a few groups. Automotive and related products rose about C.$859 million, divided evenly between vehicles and parts. Office machinery excluding computers expanded some C.$38 million, while imports of coal increased C.$216 million.



Phase II of the Foreign Investment Review Act covering the screening of new investment and of expansion by established foreign-controlled firms into new areas of endeavor went into effect Oct. 15. Under the general policy of evaluating proposals on their merits as being of "significant value to Canada" about four out of five proposed foreign takeovers of Canadian firms have been approved under Phase I; however, it is too early to forecast the effects of Phase II on the level of new foreign investment.

The federal Consumer Packaging and Labeling Act's requirements for the bilingual and metric labeling of prepackaged non-food products went into effect Sept. 1 with little notice. The new rules for packaged food products become effective on March 1, and while some objections are anticipated, it appears that the deadline will be met with minimum difficulty.

New Quebec regulations

Proposed Quebec provincial regulations under the Quebec Official Languages Act will require that French be given equal prominence on all labels, warranties, directions, etc., if other languages are used. Very few inquiries have been received although these regulations will affect almost all shipments to this provincial market, which includes over six million persons (27 percent of Canada's total population). The Quebec regulations were scheduled to come into effect Jan. 1, 1976 for food items and Jan. 1, 1978 for non-food items, but the former date has been postponed several weeks due to Canada's recent prolonged mail strike. Copies of the regulations are available at any Department of Commerce District Office.

Spiraling costs in the construction industry have heightened Canadian interest in U.S. sources for a wide range of building equipment, machinery and supplies. Sales possibilities in other areas offering comparative advantages to U.S. exporters include heat and energy systems; commercial and industrial food processing and packaging machinery; power-driven handtools; metalworking and electrical machinery; consumer durables; and some textile and clothing products. The U.S. Consulate in Toronto reports increased interest in automated and multifunctional equipment by Ontario firms, and the Consulate in Montreal suggests that electric relays, electric motors, generators and armature rewinding equipment have a growing market in Quebec.

U.S. SALES TO LATIN AMERICA MAY HIT $19 BILLION IN 1976

Oil Continues To Be Key To Import Growth

United States exports to Latin America were estimated at $17 billion in 1975 after a $15.8 billion total in 1974, a growth of 9 percent, and in 1976 are projected to reach nearly $19 billion, according to Irene Johnson of the Bureau of International Commerce.

This increase is attributable to more demand for goods by ANCOM (Andean Common Market) nations, specifically petroleum producers Venezuela and Ecuador. Chile, Colombia, and Peru showed sizable increases while Brazil and CACM declined. U.S. exporters will maintain their share of the market in most countries.

U.S. exports to Venezuela in 1976 should rise by 30 percent to $3.1 billion. Ecuador will take about $510 million, a 13 percent increase over 1975. Exports to Chile and Peru may increase 25 and 18 percent, respectively, because of additional credit availability, higher world prices of goods, and improved ability of U.S. suppliers to compete in the Latin American market.

U.S. shipments to Colombia may reach $800 million, an increase of 16 percent, due to the relaxation of import restrictions and a good coffee crop at higher prices because of Brazil's crop damage. Also, Colombia's development plans point to increased capital goods imports. Sales to Brazil are predicted to decline to $2.5 billion, or a decrease of 17 percent, due to severe balance of payments problems in 1974 and 1975 caused by a heavy dependence on imported oil and a steep decline in foreign reserves.

U.S. exports to Mexico, our major trading partner in the area, are expected to amount to $5.4 billion, an increase of 5 percent. Mexico has implemented a program of import substitution and restrictions on importation of all consumer goods. A wide range of manufactures as well as raw materials require import permits and are under a quota system.

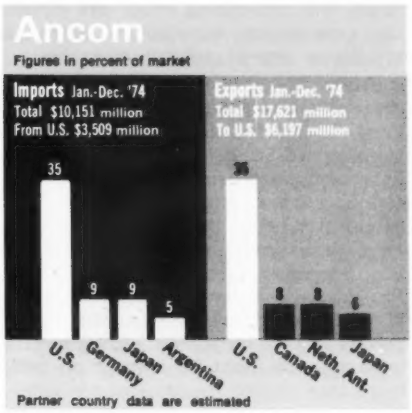
Sales to the Central American area may reach $1.5 billion, up 16 percent as a result of reduced inflationary pressures which should boost consumer spending and encourage private investment activity. U.S. exports to Argentina should hold at the 1975 level as a result of adverse political and economic factors. Shipments to the Caribbean may reach $2.2 billion in 1976, an increase of 14 percent over the previous year; this projection is influenced by a high degree of inflation in the petroleum processing countries of Trinidad and Tobago and Netherlands Antilles, whose economies grew 14 and 20 percent, respectively. Trinidad and Tobago and the Dominican Republic should now be economically strong enough to push their development plans. Jamaica, one of the Caribbean area's major markets for U.S. goods, is expected to purchase $355 million. U.S. exports to the Bahamas are projected at $250 million, an increase of 14 percent over 1975.

Latin America's total imports will continue to increase, but at a much slower pace. High petroleum costs worldwide have caused inflation with resultant high costs for food and manufactured goods. The drain on finances caused some countries to experience balance of payments problems, unfavorable trade balances and a reduction in monetary reserves.

Inflation has been rampant in many countries due to local more than worldwide conditions. Some countries will curtail foreign exchange expenditures by the imposition of severe import controls. However, the region maintains a desire for continued economic growth, assuring exporters a market for capital goods.

There is continued interest in U.S. investment in most of the countries of the area in spite of restrictive legislation limiting percentage of foreign ownership. According to a June 1975 U.S. Department of Commerce survey U.S. investors continue to show interest in the region. Capital expenditures for property, plant and equipment by majority-owned foreign affiliates of U.S. companies are expected to rise by 15 percent in 1976, compared with an average estimated 12 percent in other world areas.

The Commerce Department plans a variety of trade promotional events throughout Latin America in 1976 to assist U.S. exporters in taking advantage of these opportunities. The U.S. Trade Center in Mexico City has scheduled exhibitions that include: chemical and petrochemical equipment in February; avionics and ground support systems, March; industrial education and vocational training aids, May; railroad and communications equipment, June; metallurgy, August; quality control and materials test equipment, September; plant modernization, October; plastics production equipment, November. Elsewhere in Latin America there will be exhibitions at trade fairs, and trade missions, sales seminars and catalog shows.



ANCOM

U.S. Sales Register Substantial Gains

U.S. exports to the Andean Common Market (ANCOM) increased by 30 percent in 1975, compared to an overall increase for Latin America of only 9 percent, reports Thomas K. Brewer of the Bureau of International Commerce. This strong surge was due in part to significant gains in the U.S. market share in Chile, Peru, and Venezuela. Oil revenues in Venezuela, although down from 1974, continue to make this the most interesting and largest market. Among the six countries — Bolivia, Chile, Colombia, Ecuador, Peru, Venezuela—only Colombia registered a drop in the value of imports from the United States. The outlook for 1976 is for a 25 percent increase.

The formalizing of two new sectoral programs — automotive/agricultural and petrochemicals—was the major accomplishment of the Common Market over the last six months. The period of time allowed to put additional sectoral agreements into effect was extended beyond the Dec. 31, 1975, deadline by some 18 months. A Common Minimum External Tariff (CMXT) was, at least theoretically, in place as of Dec. 31, for all countries except Bolivia and Ecuador. Application of the CMXT in Venezuela resulted in sharp import duty increases for some 800 products. The ANCOM Secretariat has not yet agreed on rates for a new Common External Tariff to be implemented, in stages, beginning Dec. 31.

Bolivia. U.S. exports to Bolivia should grow some 20 percent in 1976, compared to 30 percent in 1975. Political stability, strong private and public investment and high consumer demand have upheld the economy despite the decline in world prices for mineral and petroleum exports. Industrial, commercial and especially construction activity are at high levels.

A decrease in foreign exchange rev-

enues and the import surge has caused the government to adopt a series of restrictive import control measures.

Private and public sector investment is aggressively promoted by the government. Over $300 million in project loans were signed in 1975 for petroleum refining and petrochemicals, minerals processing, road construction, railroad rehabilitation, electrification, small industries, agriculture and social infrastructure. Preliminary studies are under way for petrochemicals and the $500 million Mutun iron and steel complex. Registered private secor investment totaled $111 million in the first 10 months of 1975, more than double the amount for 1974.

Best export opportunities lie in equipment for the above listed projects, and also in providing comprehensive project packages of equipment, technical and managerial expertise, and financing.

Chile. The outlook for U.S. exports to Chile in 1976 is for moderate gains despite the economic problems affecting the country. U.S. goods exhibited strong competitive tendencies in the face of the severe recession of 1975. Although Chilean import registrations declined an estimated $450 million, U.S. exports to Chile increased 20 percent to $530 million.

In 1975 the economy was subject to a tough government austerity program designed to overcome triple-digit inflation and stabilize the economy to set the stage for a sound recovery and create conditions necessary to attract foreign capital and credits. Compounding the adverse effects of inflation were severely depressed international prices for Chile's chief export, copper. Clearly, Chilean incomes were under pressure and effective demand for goods was inhibited. Gross domestic product was at least 10 percent lower in 1975 in real terms than in 1974.

A gradual recovery is expected in 1976 but swift progress will require a combination of higher international prices for copper, further dampening of inflation and significant foreign capital-credit inflows.

Government import control policies continue to be liberal and import duties are in the process of undergoing periodic reductions with complete suspension of duties for seven years available on certain capital goods. Government approved foreign investments totaled about $250 million in October 1975. If these and other investment proposals under discussion materialize, there could be a notable surge in capital goods imports, particularly in mining and energy.

Colombia. The U.S. share of Colombia's imports remained steady at 43 percent in 1974, although the value was down some 16 percent reflecting the overall slowdown of the economy and government efforts to control inflation and improve the balance of payments.

Reduced income from minor exports, low coffee prices in early 1975, and the high cost of imports resulted in an overall foreign exchange reserve loss in 1975. Colombia also lost its self-sufficiency in petroleum production and suffered from continued inflation and a reduction in public investment outlays.

Domestic investment should pick up in 1976 as the economy recovers from the effects of recent austerity programs and as exports respond to improved sales opportunities abroad. The new Three-Year Development Plan will promote rural development, low cost housing and job creation. Loans totaling up to $4.3 billion are being considered by the World Bank.

Colombia's diversified industry will strive to meet the opportunities inherent in the ANCOM and an improving local market, resulting in sales opportunities for a wide range of capital goods.

Ecuador. U.S. exports to Ecuador increased 40 percent in 1975, reaching nearly $450 million, and the 1976 outlook is for fairly good sales increases in the range of 20 to 25 percent. Ecuador's recent problems in the sales of petroleum appear to have been overcome with petroleum exports rising in the last months of 1975. This factor is contributing importantly to correcting an adverse balance of payments problem and declining international reserves which forced the implementation of selected import controls.

U.S. suppliers should be in a good position to compete favorably in supplying the goods and services required by a host of economic development projects.

Peru. Peru became the second largest market in the ANCOM for U.S. goods in 1975 as U.S. exports increased over 50 percent to a level of nearly $1 billion. However, the outlook for 1976 is for little increase because of a new economic austerity program.

The large increase in total imports by Peru in 1975 was matched by a concurrent decrease in exports bringing about pressures upon the balance of payments. Significant additional foreign credit and capital inflows as well as substantially higher international prices for Peru's raw materials are required to sustain or surpass the 1975 record.

U.S. exporters who have been competing favorably in the Peruvian market will undoubtedly find it more difficult to sell this year due to local economic factors. Flexible credit terms appear to be the key factor in successful selling. The market is good for food products, selected industrial materials and capital goods.

Venezuela. U.S. exports grew 38 percent in 1975, reaching a record level of nearly $2.4 billion. Thus, the Venezuelan market absorbed close to 48 percent of the estimated $5 billion shipped to the ANCOM in 1975. Venezuela's economic boom and the growth of imports should continue into 1976, albeit at a slower rate than last year.

For the next few years, development projects begun by the government, together with private industry expansion plans, will continue to make this country an excellent market for U.S. exports. The market will be particularly good for construction machinery and for capital goods, especially those needed to fulfill development plans in agriculture, shipbuilding, transportation, petrochemicals, port development, mining, airport development and general aviation.

Consumer goods sales have been booming as Venezuela has the highest per capita income in Latin America; however, the outlook for future sales is mixed. Government statements point toward an austerity program which could restrict imports of luxury goods.

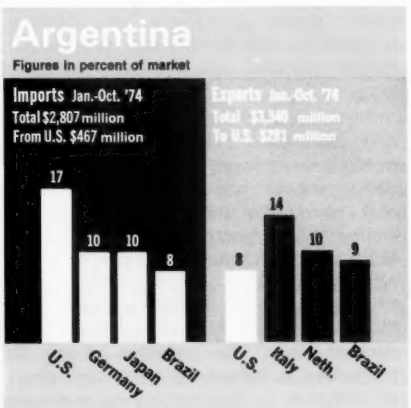
ARGENTINA

Inflation, Other Ills Reduce Import Demand

U.S. exports to Argentina are not expected to increase in 1976, but should hold at the 1975 level of $625 million. The lack of growth is primarily the result of adverse political and economic factors that have drawn Argentina into a difficult state of affairs, according to Robert H. Bateman of the Bureau of International Commerce.

The single most troublesome element in this situation is an inflation rate that averaged in excess of 335 percent last year, the highest rate ever recorded in that country. Besides being economically disastrous to many Argentines, this inflation contributed to a foreign exchange shortage that has effectively reduced the local demand for imported goods. While apparently declining now, inflation is expected to remain in the three-digit range throughout 1976.

Also contributing to the general eco-



nomic malaise in 1975 was a negative balance of trade. This was related to the inflation in that the resulting overvaluation of the Argentine peso led to a jump in imports and at the same time induced a slump in exports. The disappointing export performance was further aggravated by poor weather and restrictions by the European Economic Community on the importation of meat.

The importance of these latter factors should not be minimized. Agricultural commodities continue to make up nearly 80 percent of Argentina's merchandise exports. The EEC action had an especially serious effect on the Argentine balance of payments: About three-quarters of all its shipments of meat and meat products have traditionally gone to Europe, and the total value of Argentine exports of these products fell about 60 percent in 1975 from earlier levels.

While many of these adverse factors are expected to affect Argentina in 1976, the U.S. Embassy in Buenos Aires looks for at least some improvement in the balance of payments as a result of the current, more realistic exchange rate and concerted government efforts to reach a total export level of $4.2 billion. (Exports in 1975 are estimated at $3 billion, imports at $3.5 billion.)

The slowdown in investment has weakened demand for capital goods, the most important single category of U.S. exports to Argentina. In addition the acute shortage of foreign exchange has led to a tightening in the obligatory payment schedule for imported equipment that many foreign suppliers find difficult to accept. The U.S. Eximbank and some of its counterpart institutions in other countries have been reluctant of late to extend credits for exports to Argentina.

The Central Bank now has considerable discretionary authority in granting or denying foreign exchange for imports. For equipment orders of $500,000 and above, for example, a special payment contract must be drawn up between the Central Bank and the foreign supplier. The Bank recently made all imports more costly by requiring that they be paid at the "Financial" exchange rate. The lower "Commercial" rate was eliminated.

The foreign exchange available to Argentina in coming months can be expected to be used primarily to import the raw materials and intermediate goods needed to keep existing industrial installations, now operating below capacity, running. For example, while Argentina is roughly 90 percent self-sufficient in oil, it still must buy lubricants and other specialized petroleum from abroad. What machinery and equipment is imported is likely to be destined for use in high priority areas such as energy and steel production.

BRAZIL

Import Contraction In Store For 1976

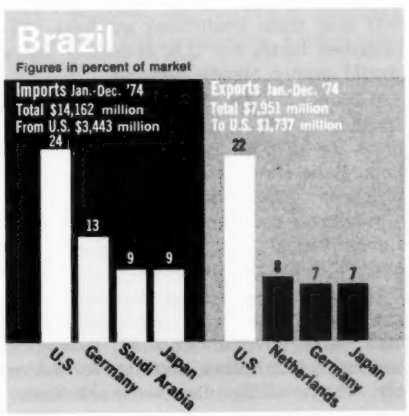
As a result of Brazilian import restrictions, U.S. exports to Brazil in 1975 stayed at the 1974 level, and are expected to decline some 15 to 20 percent in 1976. However, the lower level anticipated this year, about $2.5 billion, will be far above the $1.9 billion reached in 1973. Brazilian imports doubled in 1974 (due principally to higher priced oil imports) to a presently unsustainable level; hence the flat 1975 performance and planned decline in 1976.

By 1977, Brazilian imports may well be on the rise again. Because of the country's vitality and immense resources, another import boom period will probably follow, according to Larry Garges of the Bureau of International Commerce.

Continuing Brazilian need for various types of advanced machinery and raw materials supplied by the United States suggests the the United States will maintain its strong market share—about one-fourth of the Brazilian import market—in 1976.

Brazil has had balance of payments problems in 1974 and 1975 due to its heavy dependence on imported oil, record levels of capital goods imports, and the relatively slow growth of exports. Foreign debt has risen to about $22 billion and Brazil's foreign reserves have fallen from a high of $6.4 billion at the close of 1973 to about $3.6 billion at the present time.

President Geisel in his year-end address noted that the economic growth rate in 1975 exceeded the population growth rate (estimated 2.8 percent), assuring an increase in per capita income. GNP growth last year, evidently in the 3 to 5 percent range and far below Brazil's accustomed growth rate of 10 percent per annum, is above reproach considering the world scene. For 1976 Geisel said Brazil is capable of achieving significant economic growth and expressed confidence the country would not experience "recession, depression, or zero growth."



Brazil's total imports were approximately $12.2 billion in 1975. Exports were about $8.7 billion, leaving a balance of trade deficit of about $3.5 billion in 1975. The Brazilians hope to essentially wipe out the trade deficit in 1976 and stop the drain on their foreign reserves. To achieve this aim, involving an import reduction of some 20 percent in 1976, the Brazilian government has been taking a number of measures in recent months to restrain imports. In October, tariffs were increased 100 percentage points on various "non-essential" items and 30 percentage points on various other goods.

In early December, many measures were taken, including: imposing a prior import deposit of 100 percent of f.o.b. value for 360 days on most imports, effectively raising the price of the imports 30 to 40 percent (among exempted items are machinery imports if they meet certain criteria including five-year foreign financing); placing a limit of 75 percent of their imports in 1975 on public sector imports in 1976; limiting fuel consumption by Ministries to 80 percent of 1975 levels in 1976; permitting the authorities to turn down requests for import licenses where the import may be "speculative" or threaten to cause damage to the Brazilian economy; and limiting fiscal and tariff incentives obtainable for capital equipment imports to reduced taxes and import duties instead of total exemptions formerly granted.

Despite the economic retrenchment and import restrictions, Brazil will continue to be an attractive market for selected U.S. exports and investments. Current Brazilian investment programs requiring such U.S. and foreign participation are the new petrochemical center, the steel industry expansion program, capital goods production, the railway system, domestic satellite and radio monitoring systems, mining of bauxite and other non-ferrous ores, fertilizer production, port construction, and health and education equipment and related services.

The United States has had a favorable trade balance with Brazil in both 1974 and 1975.

The Commerce Department is planning various trade missions and catalog shows for Brazil in 1976, encompassing the following themes: air and water pollution equipment, avionics and ground support equipment, food processing and packaging equipment, process control instruments and equipment, and pulp and paper machinery and equipment.

CARIBBEAN

Recessionary Problems Limit Import Demand

The Caribbean area imported less from the United States than originally estimated for 1975 and U.S. sales did not pass the $2 billion mark. It appears that import levels for 1976 will rise only slightly, and this will largely reflect inflation, reports Fred Kayser of the Bureau of International Commerce.

The strong prices that prevailed in 1974 and early 1975 for sugar, coffee, bananas, bauxite and alumina have softened, production has dipped, and world demand has dropped for the latter two. The U.S. recession has caused a slack in tourist arrivals, especially in the off-season (April-November), with shorter stays and lower expenditure per person.

Oil prices continue to be a drain on most area economies' balance of payments and reserve positions, and no solution appears in sight. The problem should be eased if the area's agriculture, much of which was hit by an unusually severe drought in 1975, enjoys normal conditions this year. Any improvement in the U.S. economy will also be reflected in better trade and tourism conditions for the Caribbean.

The Caribbean Community (CARICOM), which comprises Barbados, Belize, Guyana, Jamaica, Trinidad and Tobago, Antigua, Dominica, Grenada, Montserrat, St. Kitts/Nevis/Anguila, St. Lucia and St. Vincent, continues to move toward a common market and greater regional economic integration. A new Common External Tariff (CXT) that was slated to go into effect Jan. 1 will give U.S. exporters a decided advantage, as it does away with the old preferential tariffs for the British Commonwealth Nations. A new regional shipping line in the planning stage will include the English-speaking CARICOM members, Mexico, Costa Rica, and possibly other Central American members. The organizers hope that the line will begin operation by mid-1976, providing employment and foreign exchange earnings for the area.

Dominican Republic—The premium U.S. market in the Caribbean did well despite less favorable conditions than in 1974, with sales of American goods totaling over $450 million for 1975 and with projections of $532 million for 1976. The government is stimulating both foreign and domestic investment with large sums channeled into agriculture, construction and tourism. Resulting specific opportunities are in dam and highway construction, feeder roads, development of the Port of Haina, thermal generating equipment plus power lines and equipment, irrigation projects, and equipment and furnishings for the tourist industry including sports and leisure equipment.

Jamaica—With stringent export restrictions, exemplified by the government's $900 million import ceiling goal in 1975, this second U.S. Caribbean market remains a question mark. All imports are licensed and carefully screened, allowing entry to only those considered essential, including machinery and capital goods. Jamaican development plans may be curtailed until the economic deterioration is reversed, hopefully later in 1976. U.S. exports are projected at $353 million.

Trinidad and Tobago—With ample oil revenues to realistically carry out its ambitious development plans, Trinidad offers bright prospects for U.S. exporters. Engineering, design and consulting services, as well as capital goods, are required for the high technology petrochemical and fertilizer plants. Imports from the United States should be close to $300 million, with increased wheat sales for expanded flour production, and corn and soybean meal for the poultry industry. Local assembly, processing, and light manufacturing are protected by a "negative list," although many consumer goods and infrastructure items for industrial projects enjoy a strong demand.

Netherlands Antilles—U.S. exports should exceed $250 million, a healthy increase over the $222 million in 1975. Port, shipbuilding and oil refinery equipment will find their traditional markets. Established tastes for U.S. consumer items should assure steady demand.

Bahamas—With a predominant share (excluding oil) of this market, U.S. exports for 1976 are projected at $252 million. Bahamian plans offer new opportunities in potable water, sewerage and agricultural development, as well as consumer goods, tourist industry supplies, and oil refinery equipment.

Haiti—U.S. exports of $16 million are projected. Best sales opportunities remain with government road, dam, port and agricutural plans, products for assembly, wheat, edible oils, pharmaceuticals.

CENTRAL AMERICA

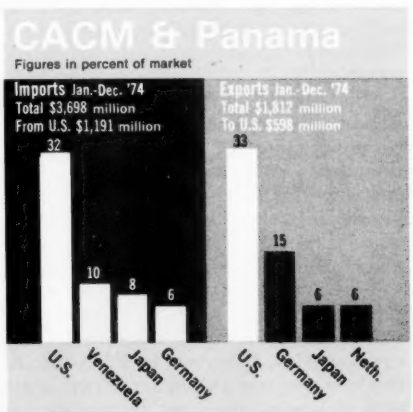
Economies Rebound Faster Than Expected

The adverse economic factors which severely affected the Central American Common Market (CACM)—Costa Rica, El Salvador, Honduras, Guatemala and Nicaragua—in 1975 are weakening. This year should see a reduced current account deficit in the balance of payments and a higher gross domestic product growth rate, according to Walter Bastian III of the Bureau of International Commerce.

The dollar value of U.S. goods exported to the region in the coming year should increase, while the U.S. share of the market should remain healthy (approximately 35 percent in 1975).

Cost-push inflation so evident in 1975 and resulting largely from increased prices for petroleum and other imports has declined substantially in Guatemala, Honduras and Nicaragua, though it is still evident in El Salvador and Costa Rica. To offset high energy bills, individual countries are taking measures to develop alternate sources of power. Guatemala has announced a major electrification program. Costa Rica, already developing the Arenal hydroelectric project, has further hydroelectric development plans. El Salvador will depend on the Cerro Grande hydroelectric project as well as a new geothermal plant.

Although 1975 was expected to be a year of recession and balance of payments deficit, it turned out better than foreseen. The region's overall balance of payments deficit should be around $50 million, down considerably from early-1975 projections, largely due to the fact that direct foreign investment and commercial borrowing were substantially higher than expected. To improve payment positions, various governments have enacted legislation to attract foreign investment. Guatemala and Nicaragua is-



sued new incentive laws for tourism development. El Salvador is seeking to attract non-traditional export industries through its new, generous export incentive law.

There was a slowdown in the overall real GDP growth rate of the CACM, from 5.3 percent in 1974 to 3.5 percent in 1975. But growth rates differed substantially among the various countries. Guatemala continued to grow at 5-6 percent, El Salvador at 4 percent, and Nicaragua and Costa Rica at 2 percent. Honduran GDP is estimated to have declined by 1 percent.

The drought which affected 1975 crop production appears to have ended. Also, prices for the region's primary export products are expected to be higher in 1976. In particular, the price of coffee, so vital to export earnings and to the GDP of all countries here, rose by nearly 50 percent between September 1974 and 1975 and is expected to remain at this level for another two years. More modest price increases have occurred in cotton, beef and lumber.

Other factors leading to optimism are the gradual rehabilitation of banana plantations damaged by Hurricane Fifi in Honduras, recovery from the slump in the construction industry in Nicaragua and the expectation of an increase in industrial manufacturing production throughout the region from the depressed levels of 1975. Reduction of inflationary pressures should boost consumer spending and encourage private investment activity.

The following product categories appear to offer the best U.S. opportunities in the CACM: agricultural machinery and equipment, food processing machinery and equipment, health care equipment and instrumentation, communications equipment and systems, energy systems and building and construction equipment and supplies.

Panama—a positive prognosis

Panama, while not a member of the CACM, maintains close ties through participation in a large number of CACM institutions as well as through bilateral treaties with all Common Market members except Honduras.

The short-term outlook for Panama is positive, since the country appears to be rebounding from the 1975 recession which affected the entire region. The GDP growth rate, estimated at 2 percent in 1975, is expected to jump to around 6 percent in 1976. Accelerated government investment plans will lead this projected surge. Included are plans to develop the Cerro Colorado copper deposit, develop the forest products industry, build a fishing port to generate increased tuna and shrimp exports, and increase production in the country's agricultural sector.

MEXICO

U.S. Sales Seen Gaining Moderately This Year

U.S. sales to Mexico are expected to grow moderately in the year to come as the Mexican economy follows its major trading partners in their recovery. Governmental policies aimed at moderate growth with reduced inflation and improved confidence in the business community, as reflected in current purchasing plans, are factors in the favorable forecast, reports Frederick J. Tower of the Bureau of International Commerce. The overall projection is tempered, however, by the continuation of the government's more stringent controls on many imports, which were imposed in mid 1975, to reverse a major trade deficit.

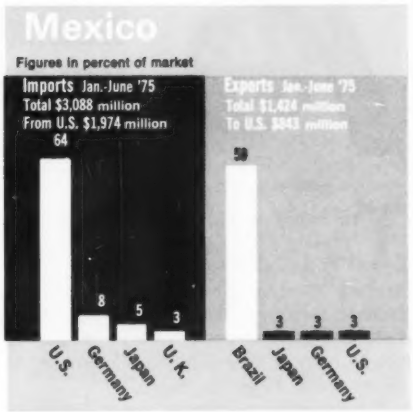
Presidential elections will be held in July with inauguration in December. The candidate of the leading political party is known as an advocate of a major role for the private sector in the economic development of the nation. As Mexico's Secretary of the Treasury, he directed the country's highly regarded financial system for the past several years.

The 1976 budget, labeled as "austere and realistic," includes a moderate increase (10 percent) over that of the previous year. Nevertheless, it is traditional for an outgoing administration to complete projects already started, giving rise to the possibility of larger increases in spending during the coming months.

Interest in business investment appears higher now than in the past year, when it had been slack, and industry is expected to take advantage of incentives offered to local producers if favorable economic conditions are sustained. Introducing some uncertainty are the questions surrounding the application of the government's investment policies, especially as related to foreign investors. A new patent and trademark law passed by the legislature at year end is a radical departure from the previous law, and affords significantly less protection to patent and trademark holders than in the past.

Despite continuing import restrictions, the current picture is good for U.S. suppliers of capital equipment, raw materials and components since many of these items are not produced in Mexico and must be imported. Purchases are expected to be higher in 1976 than last year. Best sales prospects are:

Metalworking and finishing equipment will be increasingly required as industry expands; simpler equipment is manufactured in Mexico but advanced and sophisticated lines should have excellent prospects. Over the next five years, the



government will invest several billion dollars in development and expansion of the steel and electric power industries; successful completion of these programs will rely heavily on imported equipment and external financing. The food industry is Mexico's single largest industrial sector and its purchases of equipment have been increasing at an average of 10 percent annually. Process control equipment is expected to develop well, rising 15 percent yearly in 1976-78, barring continued restriction in imports.

Building and construction machinery and supplies are required for infrastructure, housing and industrial plant construction, activities which are growing and expected to provide good prospects—especially for construction, earth moving, and concrete and asphalt machinery.

Import restrictions were imposed on a wide range of goods placed in the category of non-essentials or those competitive with local manufactures. It is expected that restrictions will be tight throughout the year for these items, due in large measure to the record trade deficit which occurred in 1974-75.

Tourism income was down for the first half of 1975, with indications that this continued for the year. The number of visitors to Mexico as well as the per capita expenditure of those visitors was lower by 5.5 percent. On the other hand, foreign exchange income from border transactions recorded a first half increase of 12.7 percent over that of the similar period of a year earlier.

Mexican petroleum production, which has already made the country self-sufficient in crude, is scheduled to increase next year as Mexico continues to enlarge its position as an exporter of crude petroleum. Plant construction to supply the country's needs for refined petroleum products is continuing, with a view to achieving self-sufficiency by 1980 in refined products.

The U.S. Trade Center in Mexico City has an active program of events designed to maximize commercial opportunities for U.S. exporters.

WESTERN EUROPE'S RECOVERY MAY STIMULATE U.S. EXPORTS

Unemployment, Inflation Mar Improving Outlook

The value of United States exports to Western Europe last year is estimated to have increased by 4 percent. Reflecting Europe's shift from recession to modest recovery, their rate of growth in 1976 is expected by J. Robert Wilson of the Bureau of International Commerce to be at least twice as rapid.

Recessionary trends in most European countries became pronounced in the course of 1974. In retrospect it is evident that the downswing started in Germany. It spread to Italy and the Benelux countries and then to France. Stocks of manufactured goods accumulated and industrial production declined steadily. The weakening of domestic demand only gradually affected shipments from the United States. U.S. exports to Western Europe registered a remarkable gain of 34 percent in 1974 to $28.7 billion and even continued to do well through the first quarter of 1975.

No country was spared

No European country has been spared the downturn, which developed into Europe's most serious postwar recession. Although many firms refrained from dismissing employees and instead resorted to shorter work time, the ranks of the unemployed have swelled. With inflation continuing at record levels, governments were loath to introduce stimulative monetary and fiscal policies.

Nevertheless, 1975 witnessed a series of reductions in the official discount rate by nearly all governments. Mildly expansionary fiscal measures were also introduced by most countries in the course of the year; typically they were designed to support public works and residential construction.

Norway, and possibly Sweden, are the only European countries that did not experience a decline in their national product for 1975. The Organization for Economic Cooperation and Development (OECD) in its December *Economic Survey* estimated the GNP decline for Europe at 2.5 percent. For 1976 it forecasts an increase for nearly all countries averaging out at 2 percent for Europe.

There is evidence that the recovery in Germany is now under way and forecasters tend to look to Germany to lead its continental neighbors out of the recession. The German GNP showed an increase in the third quarter. Manufacturers' order books, especially export orders, have been filling up and industrial production, after shrinking for nearly two years, has increased for four successive months. The October forecast of the five German economic research institutes estimated that in 1976 the German GNP would increase by 4 percent and imports would rise 7.5 percent. The government forecasts a 5 percent rise in GNP. According to the OECD forecast released in December, the GNP increase will be only 3¼ percent.

Economic forecasts have been unusually inaccurate in the past two years and charting the course of the emerging recovery is a high-risk enterprise. It remains to be seen how vigorous and sustained the recovery will be. The European steel industry does not see its way out of its present difficulties in the first quarter of 1976. Since investment is sluggish in most industries, hope for a strong upturn rests on consumer behavior, which in the present inflationary climate is problematical.

Even under favorable assumptions unemployment is expected to remain severe throughout 1976. With plants operating well below capacity, hiring on a large scale will not quickly be resumed. The situation is especially gloomy in Britain where unemployment, already at 1.16 million, may approach 2 million since no strong upturn in economic activity is expected before the latter part of 1976. The number of unemployed also exceeds one million in France, Germany and Italy.

One of the most encouraging features of this period of serious unemployment has been the ability of nearly all governments to resist protectionist pressures, even in such import-sensitive industries as steel, textiles and cars. The OECD pledge to avoid resort to trade restrictions has been observed for the most part. Although Sweden placed quotas on imports of shoes in November and the British imposed a few selective import restrictions in December, these actions were not seized upon by other governments as an excuse to curb imports. On the contrary, the intra-EEC industrial tariff cuts and those between the EEC and the seven EFTA countries were carried out as scheduled on Jan. 1, 1976 (see *Commerce America*, Jan. 19, page 21).

Efforts to liberalize world trade are being accelerated. The Rambouillet Declaration of Nov. 17, which incorporates the views of the heads of government of France, Germany, Italy, Japan, the United Kingdom and the United States, proposed the goal of completing the multilateral trade negotiations in 1977. This goal was subsequently accepted by the participants in the negotiations.

Earlier fears that the huge oil import bill of the industrialized countries would lead to trade restrictions have proved exaggerated. France, Italy and the United Kingdom were able to strengthen their international payments positions in 1975. Some deterioration may be unavoidable as economic recovery stimulates oil and other imports; however, for the near term, with only a modest European recovery anticipated, no serious payments imbalances are foreshadowed.

Thanks to North Sea oil, Norway is and Britain soon will be free of the burden of financing expensive oil imports. Norway produced its first oil in 1971 and this year its production will exceed its consumption. Britain, which began piping oil continuously on Nov. 3, hopes to achieve self-sufficiency in oil by 1980.

A dialogue between the industrialized countries and the producers of oil and raw materials was initiated in Paris in December. Twenty-seven governments (the European Economic Community participated as a unit) attended the Conference on International Economic Cooperation. Four commissions—for energy, raw materials, development and finance—were established and will meet periodically throughout 1976.

Value of the dollar varies

It has become increasingly difficult to generalize regarding the competitiveness of American goods in European markets since, under the prevailing system of floating exchange rates, appreciable swings have taken place. Although the dollar has generally strengthened since June, thereby making imports from the United States more expensive, the relative position is mixed. Comparing the present value of the dollar in our major European markets with its value at the time of the Feb. 15, 1973 devaluation, the dollar is now only slightly cheaper than when purchased with Belgian or French francs and slightly dearer when bought with Spanish pesetas. It is roughly 10 percent cheaper when bought with German marks or Dutch guilders. However, with the gradual depreciation of the British pound and the Italian lira, dollars now cost about 20 percent more in those countries.

The competitiveness of goods traded internationally is also importantly influenced by comparative rates of wage and price inflation, which of course also help to determine exchange rates.

The improved competitive position has assisted the United States in marketing consumer goods in Europe. Last year "in-store promotions" in department and chain stores sponsored by the Department of Commerce scored successes in five European countries. Similar promotions are scheduled for this year.

BELGIUM

Upturn In Economy Is Reportedly In Sight

The Belgian economy still suffers from the familiar symptoms of recession and inflation: high unemployment, sagging production, decreased foreign trade, and rising prices. However, it seems likely that the economy will start to revive in coming months, thus auguring well for increased U.S. exports to Belgium in 1976, according to Bobette K. Orr of the Bureau of International Commerce.

Belgium produced a total of $53.4 billion worth of goods and services in 1974. GNP for 1975 in current prices will show an increase of around 10 percent. However, discounting the effects of inflation, GNP may actually have fallen by 2 percent, in the steepest real economic decline since World War II. Currently, projected real GNP growth for 1976 is 1.9 percent, with the rate of inflation easing to the 9-10 percent level.

Industrial production has slid to only 70 percent of capacity, with such industries as steel, paper, metalworking, textiles and glass being hardest hit. At the same time, unemployment climbed to over 200,000 by October, 78 percent more than one year before; this represents 7.7 of the insured labor force. Nonetheless, the number of unfilled vacancies, which in the past has been a very sensitive indicator of cyclical upturns, is showing a slight rise over previous months.

Foreign trade is responsible for more than half of Belgium's GNP. Of Belgium's total exports, the EEC countries receive 70 percent. With so large a proportion of industrial capacity dependent on foreign markets—principally West Germany, France and the Netherlands—domestic policy is limited in its ability to stimulate recovery.

The Government of Belgium has worked out a plan intended to stimulate the economy through a variety of fiscal and monetary measures, including temporary price controls and investment benefits. Investment expenditures are programmed at $4 billion, a 14 percent increase over 1975. Thus, a strong impetus to economic recovery is expected from government-subsidized residential building and the public works sectors.

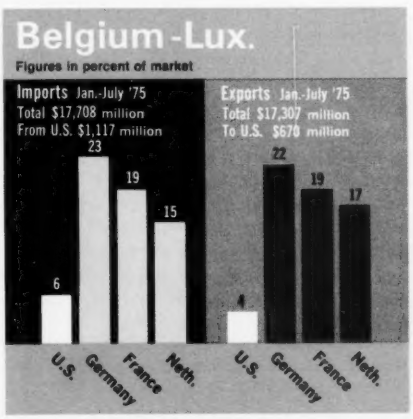
An incomes policy is also part of the plan, including freezing dividends, profit percentages, professional fees and rents until June 30, as well as restraining wage increases by means of a limitation on incomes benefiting from the price index/wages linkup. There are also expected to be additional programs to assist Belgian exporters.

The government's proposed budget for 1976 anticipates revenues of $1,897 million and expenditures of $1,946 million, resulting in a deficit of nearly $50 million. Severe budget pressures have caused the Belgian Government to retreat somewhat from the very lenient tax policies of former years. Overall corporate taxes are up to 48 percent, foreign executive tax breaks have been threatened, and a 5 percent value-added tax is still assessed on capital goods, despite earlier officials plans to eliminate it in phases by 1976.

The slowdown in trade between the United States and Belgium in 1975 has affected Belgium's exports to the United States more than its imports from the United States. Thus, the favorable American balance of trade has widened still further. Certain traditional U.S. exports to Belgium, such as transport equipment and chemicals, have fallen off considerably; agricultural products are now the most important U.S. export to Belgium. The drop in Belgian imports from the United States has been proportionally greater than the overall drop in Belgium's imports, and, therefore, our share of the market has declined from 7 percent to 6.3 percent.

Much quickening of demand for American finished goods is not expected until economic recovery is well under way. But U.S. farm products should continue to find market opportunities and U.S. capital equipment sales may be stimulated by the Belgian Government's public works programs. In addition, the sale of big-ticket items such as aircraft and defense systems may generate sales of U.S. aerospace products as Belgian firms tool up for their share of the F-16 fighter production.

Market conditions look favorable for certain high technology areas such as laboratory instruments, pollution control equipment, security systems, and process control instrumentation. Belgium's long term rise in prosperity, in conjunction with U.S. quality and price competitiveness, has opened up new possibilities for sales in Belgium of U.S. consumer goods.



FRANCE

Revival In Economy Should Help U.S. Sales

The French economy is beginning an upturn, and predictions are that early to mid-1976 will show a definite revival. However, GNP is unlikely to regain the first half 1974 level until the latter part of 1976, thereby completing a two-year cycle that began with a sharp recession in the second half of 1974.

With the gradual improvement in the French economy, American exporters can look forward to resumed growth prospects in 1976, continues Myra L. Triplett of the Bureau of International Commerce. In 1975 U.S. exports closely matched the overall trend in French import demand, with a share of market that remained virtually unchanged at 7.8 percent, as total exports slightly exceeded the amount registered by the U.S. in 1974.

Real GNP growth is now forecast at 4 percent, somewhat below earlier forecasts due to reduced expectations for consumer demand and business inventories. The 1975 GNP is estimated at $305 billion. Business analysts, as opposed to official spokesmen, display guarded optimism and point to the likelihood of a renewed burst of price inflation if French industry seeks to recover from the sharp setback in corporate profits during 1975. Such increases in the inflation rate could bring about a deterioration in France's external account.

Inflation in 1975 probably was slightly less than 10 percent. Inflation remains a major concern of French economic policy, as reflected in the balanced budget submitted for 1976 and the continuation of most bank credit ceilings. Unemployment is estimated at approximately 4.2 percent of the labor force. It is felt that unemployment leveled off in mid-December and should decline in the coming months.

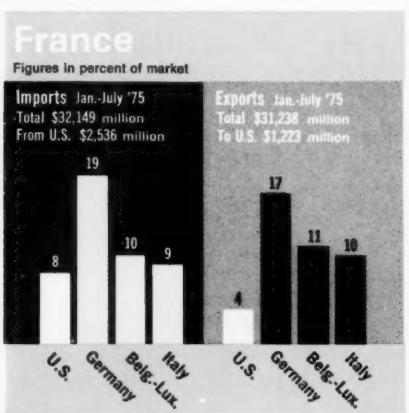
The economic support plan that was announced on Sept. 4 was based on the assumption that an upturn would occur within the next six months. This program was not aimed at broad economic upturn, at least not on its own steam. It was designed, first of all, to prevent an overall worsening of the economy in the closing months of 1975, and secondly, to assist a gradual upturn to be led by new investment. It succeeded in its first objective, and partly in its second, despite its failure to stimulate business investment, mainly by easing corporate cash flow problems. This helped to slow down the rise in unemployment and contributed to a more positive business psychology.

French exchange rate policy is designed to sustain a relatively strong franc, i.e., a middle or middle-high position in the EEC "snake." The decision to rejoin the snake in May 1975 meant that the franc would remain stable despite economic difficulties. French authorities believe that this policy means a franc/dollar rate within the range of 4.4 to 4.6 to the dollar given what they believe to be the current and prospective array of exchange rates among industrial countries. The greatest threat not only to exchange rate policy but to overall French economic policy as well is continued pressure on corporate cash flow and profits in French industry.

The upturn in the French economy that is expected in the early months of 1976 should improve the export potential for U.S. products in several categories. The most promising would appear to be numerically controlled machine tools, instrumentation, advanced electronic gear and components, EDP peripherals of all kinds (but particularly data telecommunications), printing and graphics equipment, food processing and packaging machinery, energy systems, and construction equipment and materials. The outlook for consumer goods is somewhat less favorable due to the relatively strong dollar and the high level of unemployment in France; however, most promising items are textile products, toys and leisure-time equipment and household wares, in the consumer area.

The U.S. Trade Center in Paris will sponsor the following exhibitions: March, printing and graphic arts, and pollution control equipment; May, food processing and packaging equipment; June, industrial and commercial protective security equipment.

Information on these and other overseas exhibitions can be obtained from the nearest Department of Commerce District Office or by contacting the France/Benelux Group, Office of International Marketing, U.S. Department of Commerce, Washington, D.C. 20230; phone 202-967-4505.



GERMANY

U.S. Surplus Trimmed By German Sales Rise

The level of U.S. exports to Germany last year held steady, in terms of volume, percentage share of the German import market, and U.S. ranking as Germany's fifth major supplier, after the Netherlands, France, Italy and Belgium/Luxembourg, in that order. With economic recession in Germany bottoming out by mid-1975 and with expected resumption of real growth this year at a rate of 4-5 percent, the prospects for U.S. sales are again quite favorable, according to Velizar Stanoyevitch of the Bureau of International Commerce.

Paradoxically, 1975 results may prove difficult to duplicate, let alone improve upon, because of inherent uncertainties about the speed and duration of the recovery process, not only in Germany, but in other industrial powers, particularly the United States. U.S. exports to Germany through September, for example, grew 8 percent, while German exports to the United States were down 23 percent. This occurred in spite of the most severe economic recession experienced by Germany since WW II, with a 4 percent decline in real GNP and lagging exports, capital investments and consumer spending and unprecedentedly high unemployment.

On the basis of U.S. export performance through September, there is every indication the United States will record a bilateral trade surplus with Germany for the year—the first since 1969/70. Commencing roughly in mid-1975, the dollar began a rapid and steady appreciation, approaching its "implicit" parity with the mark. This coincided with an impressive rebound of German exports to this country, including automobiles, trimming down our cumulative trade surplus with Germany.

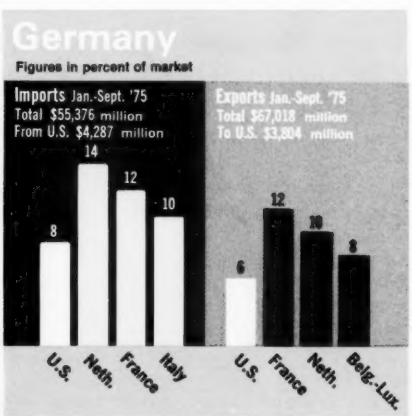
Analysis of the composition of U.S. exports to Germany last year (through September) shows a 19 percent rise in machinery shipments to $560 million, compared with the first nine months of 1974. Exports of chemicals, electrical equipment and aircraft rose also, but less dramatically. U.S. exports of agricultural products declined, despite higher shipments of grains and tobacco. Exports of raw materials, particularly hard coal and phosphates, made impressive gains.

Germany, of course, remains the most important U.S. market in Europe, but competition from both German and third country suppliers is becoming more intense. Hourly industrial wages in Germany rose 76 percent between 1971 and 1974 and are approaching U.S. levels. Nevertheless, wage pressures have moderated considerably, with current wage agreements barely matching the rate of inflationary price increases. The consumer price index, which was rising at an annual rate of about 5.5 percent through November, has always been lower in Germany than in any other major industrial country.

With over 1 million, or about 5 percent, of all wage and salary earners jobless—a situation essentially unchanged for over a year now—a renewal of wage pressures is not likely in the near future.

The Economic-Commercial staff of the U.S. Embassy in Bonn singled out the following U.S. export product categories as having the best sales prospects in Germany this year: electronic communications equipment and testing and control instruments; computers, business and office machines; and nuclear detection and monitoring equipment. Apart from such technologically advanced products, there is no reason to suppose that there will be any diminution in exports of semi-finished products and raw materials, which did so well last year. A number of agricultural product categories appear vulnerable. Massive increases in German tobacco excises, for example, are depressing cigarette sales. The German market is increasingly receptive to a wide range of American consumer goods, including apparel which meets German quality and price standards.

The Commerce Department's trade promotion program for Germany in 1976 includes sponsorship of group exhibits by U.S. manufacturers at "Pro-In '76," the design engineering international trade fair in Duesseldorf in February, and at "SPOGA," the sports, camping goods and garden furniture fair in Cologne in September. In addition, a continuing series of exhibits at the U.S. Trade Center in Frankfurt will feature laboratory analytical instruments, microwave technology, industrial security and safety systems, electronic production and testing machinery and noise/vibration analysis and control equipment.



ITALY

Economy Improving, U.S. Exports Rising

An expected upswing in Italy's economy this year should stimulate greater demand for U.S. exports. Through August 1975, U.S. exports were up 9 percent over the same period the year before. Considering the 11 percent dip in overall Italian imports during that period, this was a favorable performance, notes Ann Corro of the Bureau of International Commerce.

Another bit of good news for U.S. exporters in 1975 was the improvement in the U.S. market share to 9.2 percent from 7.6 percent in 1974. This increase was partly attributable to more U.S. sales of plant machinery and equipment. Italy's continuing need to modernize plant operations in an effort to cut down on labor costs and increase productivity spells another good year for U.S. machinery sales in 1976.

Last year was one of mixed blessings for Italy. On the positive side, there was a deceleration of inflation to a more manageable 15 percent rate from near 25 per cent at the end of 1974; the balance of payments deficit was reduced to almost one-fifth of 1974's $5.5 billion figure, with the trade deficit vastly improved from a $10.6 billion deficit in 1974 to under $2 billion, and an actual surplus registered in the non-oil trade sector; and the introduction of economic programs to stem the recession and begin the needed restructuring of Italian industry has been approved and will shortly take effect.

Negative factors also persisted in 1975. A negative GNP growth rate of 2.5 to 4.5 percent was projected; industrial production was off by 12 percent, with iron and steel, construction, foodstuffs, rubber and vehicles especially hard hit; and unemployment and underemployment worsened from 4.3 percent in 1974 to 5.7 percent in 1975.

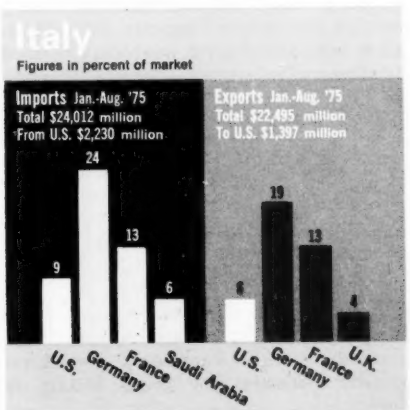
A brighter outlook is forecast for 1976. Steady improvement in industrial activity and a 2 to 3 percent increase in GNP is expected. Italian exports should expand as the pace of world trade quickens but stepped-up consumer demand and restocking of depleted inventories will once again stimulate imports. The real key to a more optimistic assessment of economic activity in 1976 rests on the continuation of an open and constructive dialogue between Italian labor, industry and government.

In an effort to revitalize the Italian economy an anti-recession package was approved in mid-1975 under which $6.1 billion was to be infused into the economy over a two-year period. This program was especially designed to boost exports and to accelerate expenditures under existing programs. The anti-recession package coupled with more relaxed credit conditions to encourage investment and consumer demand represent the government's efforts to halt Italy's economic recession.

As a follow-up to the anti-recession package, a medium-term package of $10-11 billion has also been introduced, covering the 1976-1980 period. The ultimate objective of this plan is to make Italian industry more efficient and competitive.

Italy continues to be a major market for U.S. exports. Currently, it is the sixth largest U.S. overseas market (excluding Canada and Mexico). U.S. products with best sales opportunities include: computers, computerized process instrumentation and peripherals; components and production equipment for the electronic industry; electric energy systems (engines, turbines, complete power plants); pollution control equipment (wastewater equipment for sewage plants, municipal water supply equipment); advanced machine tools (numerically-controlled); communications equipment (color TV picture tubes, cable TV, satellite communications equipment); chemical processing equipment; printing and graphic arts equipment; building products and construction equipment; and industrial security equipment.

The Department of Commerce's promotion schedule for the U.S. Trade Center in Milan lists the following exhibitions: hi-fi equipment and electronic musical instruments (February); industrial test and quality control equipment (March); industrial maintenance and plant operation equipment (March); EDP equipment (May); and Plast '76—equipment and materials for manufacturing plastic products (June). In addition, two trade missions will be visiting Italy in the product areas of port and shipyard equipment and industrial and commercial security equipment.



NETHERLANDS

Economic Weaknesses Are Cyclical, Structural

The symptoms of recession which currently characterize most industrial nations are also to be found in Holland—namely, a decline in economic growth, lower business profitability, sharply declining fixed investment, and substantial increases in prices, manpower costs and unemployment. Nonetheless, the outlook for U.S. exports to the Netherlands remains good, adds Bobette K. Orr of the Bureau of International Commerce.

Industrial production in the Netherlands has fallen for the first time since World War II, GNP is down for the first time since 1958, and unemployment and inflation are both at postwar highs. Due to the problems of unemployment and inflation, the government is reviewing its program for 1976. Government expenditures are slated to increase 24 percent over the 1975 level to $28.9 billion, and revenues by 8 percent to $23.3 billion. Thus, there would be a substantial budgetary deficit of $5.6 billion, or nearly 7 percent of net national income.

In the 1976 budget $818 million has been allotted for new stimulation measures: over $240 million will be spent to reduce unemployment in the construction industry and nearly $205 million has been assigned for helping private companies in financial difficulties to maintain their existing labor force. Also included is an extension of accelerated depreciation for new industrial buildings until Dec. 31, 1976.

In order to pay for these measures the government has announced new taxation plans, including an increase in the tax rates by one percentage point for income groups above 20 percent; an increase in the value-added tax rate from 16 to 18 percent effective July 1; an increase in the tax rates on alcohol, tobacco, automobiles and insurance; and an increase in the price of natural gas. In addition, there will not be a full inflation correction on income taxes.

The Dutch Government budget for 1976 is based on the following assumptions: an 8 percent growth in the volume of world trade; a 9 percent growth in Dutch exports; a 4 percent rise in the volume of industrial production; and a 3.5 percent increase in GNP. Under these conditions, private consumption is expected to increase 3 percent, wage hikes will be held to 10 percent compared with 13.5 percent in 1975, and the cost of living will moderate to 8 percent versus an inflation rate of at least 10 percent in 1975.

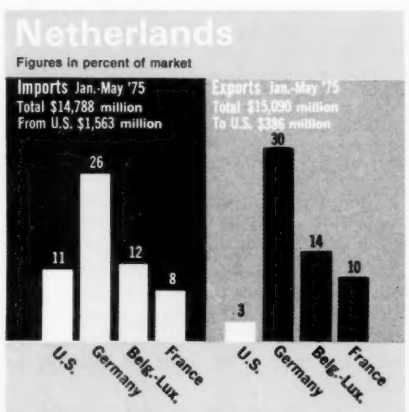
An upturn in the economy ought to

materialize in the second quarter of 1976. Nonetheless, economic recovery is not expected to result in a major improvement in the present low utilization of industrial capacity. Thus, unemployment, currently at 5.5 percent of the labor force, is liable to go up to 6 percent in 1976. Likewise, industrial investments should total $2.2 billion in 1976, compared to $2.1 billion in 1975, which in fact will be a decline in view of inflation.

Comparative cost ratios are inducing a net flow of investments abroad by Dutch firms. From the second quarter to the third quarter of 1975 foreign direct investment in the Netherlands dropped from $500 million to $370 million. At the same time, Dutch direct investment abroad increased from $72 million to $400 million.

Since the Dutch budget was formulated, the figure for world trade growth has been revised down to 5 percent. This is particularly serious for an economy in which more than half the national income derives from exports. It means that the recovery process is largely contingent on developments in Holland's major export markets, principally West Germany.

Despite the real decline in business investment forecast for 1976, selected sectors such as aerospace, energy systems and pollution control offer good prospects to U.S. exporters of capital goods. In general, the United States is in a favorable position compared with many of the Netherlands' trading partners, since most industrial goods exported there embody high technology, which increases productivity—an objective made even more attractive by high Dutch labor costs. Although little growth is anticipated in sales of U.S. consumer durables, sales of non-durable U.S. consumer goods can expect rapid growth due to competitive pricing and excellent quality. U.S. exports of agricultural commodities in 1976 are expected to be at the same level or slightly higher than in 1975.



SPAIN

Recovery Should Begin By The Close Of 1976

Spain's foreign trade volume is expected to hold at about 1975's levels this year, bringing another oil-heavy deficit in the $9 billion range and providing a pause to the country's export-oriented industrial expansion, according to Roger Turner of the Bureau of International Commerce.

The international recession, which was late in reaching Spain, has temporarily restricted real GNP growth, exacerbated inflation, and curtailed foreign demand for Spanish products, especially ships and cars. Except for steel and textiles, the current economic picture is relatively static. By the close of 1976, however, revitalization is expected to be under way, accompanied by a positive transition in the political arena.

The efficiency with which the post-Franco political transition is carried out will have some effect on the pace of Spain's recovery from recession, but it should not be an overriding consideration. Knowledgeable observers agree it is unlikely Spain will undertake political changes which would delay its continuing, and to date extremely successful, effort to become one of Europe's major industrial powers by 1985.

Like most OECD nations during the past year, Spain experienced a decline in its rate of real GNP growth, with current estimates listing it at no more than 1 percent. For 1976, projections are for 1-4 percent growth, although no significant change is expected until late this year; certainly no change is likely before comparable recovery elsewhere in Western Europe.

Imports reached an all-time high of some $16.5 billion c.i.f. in 1975, an estimated increase of 7 percent over 1974, despite an almost negligible increase in total volume. In view of the negative effect of the recession and the heavy outlays for crude oil imports, the government may devise some temporary method to slow the rate of non-essential imports, in hopes of reducing the overall trade deficit. U.S. suppliers are not expected to be significantly affected.

In 1976, U.S. suppliers should retain their existing 16 percent share of the Spanish market. Two elements will be required, however, before there can be much greater penetration: the ability of Spain's industry to generate increased exports, and the realization by greater numbers of U.S. suppliers than the Spanish market represents significant growth potential for those willing to invest initial time and effort.

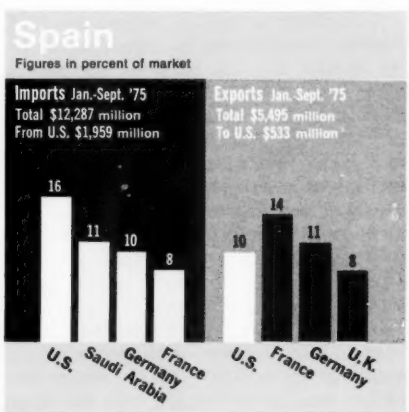
During 1975, it is estimated there was direct U.S. investment ($300 million), approximately 1.2 million U.S. tourists ($650 million), emigrant remittances from the United States ($100 million), and long-term U.S. loans, Eximbank credits, special and commercial credits, and related services that resulted in a net flow of American dollars, counteracting a $1.6 billion trade surplus.

Spain's current economic deficit for 1975 was estimated at $2.9 billion, but would have been far higher were it not for the gains of almost $3.5 billion from tourism, $1.5 billion in emigrant remittances, and some $300 million in direct foreign investment. As a result of these invisibles and almost $1.5 billion in official foreign borrowing. Spain's current reserves remain relatively strong at some $6.1 billion, sufficient to cover nearly 4½ months of 1975 imports.

The government is extending efforts to fight inflation, estimated at 17 percent for 1975, by extending its freeze on profit margins until the end of 1976. Rises in prices of industrial products will be allowed only if the cost in raw materials and salaries increases, and wage increases may not exceed the rise in the cost of living by more than 3 percent. Unemployment is expected to remain close to 5 percent, or some 500,000.

Direct sales opportunities for U.S. suppliers exist in the following categories: health and medical, communications, building and construction, laboratory instrumentation, process controls, pollution control, food processing and packaging, energy systems, computers and peripherals, metalworking, women's sleepwear, children's clothing, cosmetics, pharmaceuticals, and housewares.

The following Department of Commerce-sponsored promotions are planned in Spain during 1976: exhibition on machine tools and metalworking, June; trade missions on security and health care, March and May, respectively; consumer goods show in September; and technical sales seminar on power generation and energy development in October.



SWEDEN

Outlook Remains Good For U.S. Export Sales

Sweden remained one of Europe's strongest markets throughout 1975. Sales of U.S. goods to Sweden are projected substantially above 1974 by Albert Caya, Jr. of the Bureau of International Commerce, based on January-August trade trends. The outlook for U.S. sales for the first half of the current year remains good, despite Sweden's economic downturn.

Developments in the Swedish economy over the past 12-18 months have been significantly different from those in other industrialized countries. Sweden's economy peaked in late 1974 as its major trade partners were experiencing deepening recession. Fueled by resurgent domestic demand, a high level of industrial investments and counter-cyclical government policies, the economy operated on a high plateau well into 1975. However, export sales deteriorated, and year-end figures are expected to show an 8 percent drop in volume. But due to a significant rise in prices, exports will probably approximate 1974's $15.8 billion.

Through eight months of 1974, Sweden's total imports were $12,259 million; imports from the United States totaled $785 million. The U.S. share was 6 percent as compared to 19 percent for Germany, 11 percent for the U.K. and 7 percent for Denmark. In the same period, Sweden exported $11,507 million; $598 million or 5 percent went to the United States. Principal Swedish markets were the United Kingdom and Norway, both absorbing 11 percent of Swedish exports, followed by Germany with 10 percent.

The value of imports grew more rapidly in 1975 than did exports, and Sweden is likely to record a near $950 million trade deficit. The invisible account, traditionally in deficit, is likely to worsen because of a decline in shipping revenues. Thus, the current account, when year-end figures are available, will probably show a deficit of nearly $1,900 million. Foreign borrowing, however, has been called on to a much greater extent than in the past and Sweden's foreign exchange reserves remained good.

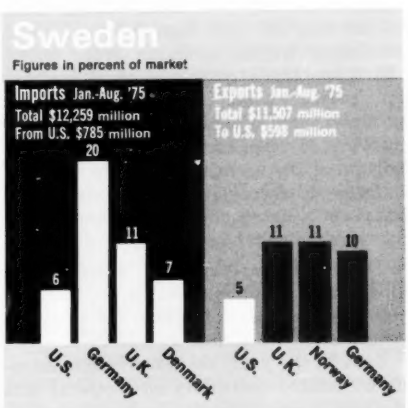
Dependent on exports to sustain a high level of prosperity, Sweden's strong domestic demand performance has not been enough to maintain production when faced with the current low level of foreign demand. The order inflow for such basic industries as iron and steel, engineering, and forest products has fallen sharply, necessitating a cutback in production. Early in 1975, stock building, encouraged by government anti-cyclical measures, dampened production cuts. Current stock levels are now quite sizable and anti-cyclical stock building may slow in the months ahead.

Despite the overall drop in production, employment has held up remarkably. Signs of weakening became more persistent in the last half of 1975, with layoffs in the more seriously depressed wood, pulp and paper, and iron and steel sectors. The coming months may present a more bleak picture since the Security of Employment Act has tended to maintain higher levels of employment than otherwise could be expected. This law requires employers to give up to six months notice to employees before dismissal. With no appreciable improvement expected in sales or new orders over the next six months, actual dismissals may increase as statutory dismissal periods reach their end.

Latest estimates are that, on a volume basis, 1975 investments will be up 6-7 percent. This is a good performance, particularly in light of the recessive tendencies in Sweden and following on the 13 percent increase in 1974.

The investment picture coupled with relatively strong consumer demand support prospects for good U.S. sales in Sweden in the months ahead. Among the list of products in which satisfactory to strong demand may be expected are: computers and peripheral equipment; electronic components; metalworking equipment; process control equipment, electronic production and testing equipment; raw materials (excluding fuels); food and beverages; and chemicals and plastics.

The United States Trade Center for Scandinavia, in downtown Stockholm, maintains, a full schedule of exhibitions of American products of interest to the Swedish industrialist and consumer. Ahead are: March 16-19, printing and graphic arts equipment; April 26-29, food processing and packaging equipment; May 4-6, computers, related equipment and systems; and May 17-21, health care instruments and equipment.



SWITZERLAND

Recession Finally Hits; U.S. Gains In Market

U.S. exports to Switzerland are expected to continue their increase in 1976. Despite worldwide recession, the strengthening of the U.S. competitive position on the Swiss market due to continuing appreciation of the Swiss franc should have a beneficial effect on U.S. exports, according to Leo Kuus of the Bureau of International Commerce.

Switzerland was one of the last industrial countries to enter the recession, doing so toward the end of 1974. Recession continued throughout 1975 and is expected to bottom out in the middle of 1976. Consequently, GNP in real terms decreased in 1974 by 0.8 percent, in 1975 by 3.5 percent, and is expected to drop in 1976 by 0.4 percent. In 1974 GNP in current prices and exchange rates amounted to $46.3 billion or $6,650 per capita, the second highest in Europe.

The general mood can be characterized as moderate optimism. The main stimulus to business activity is expected to come from a revival of foreign demand; private demand is expected to continue to fall.

Inflation, on an annual basis, exceeded 10 percent in mid-1974 but declined to less than 4 percent toward the end of 1975. This decline reflects the change in economic conditions from a tight labor market, which prevailed throughout 1974, to a situation in which at the end of November 1975 0.7 percent of the labor force was unemployed and 3.9 employed on short-term only.

The constant appreciation of the Swiss franc with regard to the dollar over a 4½-year period from 4.3 to 2.6 per dollar has made U.S. exports more competitive on the Swiss market. Swiss efforts to join the float of European currencies in order to restrain appreciation of the Swiss franc have so far failed. The impact of the appreciation of the Swiss currency on U.S. exports has to some extent been offset by the reciprocal tariff reduction of industrial goods according to the Free Trade Agreement between Switzerland and the European Economic Community. As of Jan. 1, Swiss customs duties on imports from the EEC countries have been reduced by 80 percent. They are scheduled to be abolished on July 1, 1977.

Since Switzerland has one of the lowest tariffs in the world, about 4 percent ad valorem, this reduction should not have any appreciable effect on U.S. exports. On the other hand, because of recession Swiss imports are declining. During the first 11 months of 1975, imports declined by 21 percent compared with the same period in 1974.

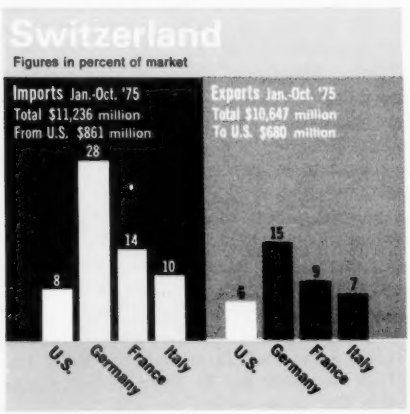
Swiss imports from the United States, during the same 11 month period, declined only by 6 percent. Consequently, our market share increased from 6.4 to 7.6 percent.

Because of its smallness, Switzerland more than most industrialized countries is compelled to find solutions for pressing industrial problems. There is an urgent need to maintain environmental quality against increasing pollution, to prevent crime, to become more independent of foreign energy resources, and to increase the degree of automation and rationalization, especially in the export industry. This in turn means that there are good prospects on the Swiss market for pollution control equipment, business and residential security systems, nuclear reactors and power plants for solar energy as well as for industrial process control equipment, business machines, and sophisticated electronic equipment. The U.S. technological lead in these products should benefit our exports.

The Department of Commerce will sponsor a catalog show on hardware, tools and household goods in Basel in September. A trade mission on industrial and commercial security systems is scheduled to visit Switzerland in March.

U.S. direct investments in Switzerland amounted at the end of 1974 to $4.5 billion. Political and economic stability, availability of capital and relative freedom of capital movement, low taxes, and central location, are factors which continue to attract foreign investments. On the other hand new investments are hampered by the continuous appreciation of the Swiss currency. However, restrictions imposed on interest payments do not apply to bank deposits of foreign-owned companies, since they are considered Swiss firms.

Although Switzerland has periodically limited the issuance of work permits for foreigners, U.S.-owned companies are not expected to encounter difficulties in obtaining work permits for non-Swiss managerial personnel, at least not during this period of recession.



UNITED KINGDOM

Problems Remain, But Confidence Improves

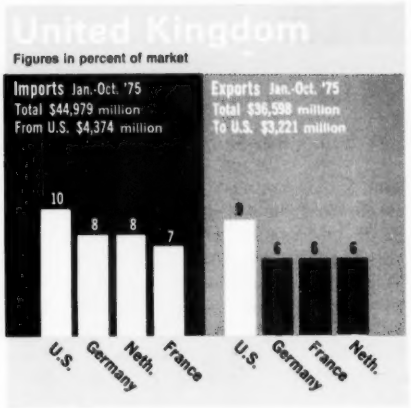
Exports of U.S. industrial goods to the United Kingdom in 1976 will probably equal or slightly exceed the level reached in 1975. Industrial production is at a low level, unemployment is high and climbing, and new investment is expected to be below 1975. Both inflation and wage increases are moderating, however, and business is responding with growing confidence adds Paul A. Norloff of the Bureau of International Commerce.

Many observers believe that the recession, which peaked in the United Kingdom later than in most other countries, is now bottoming out. Further increases in unemployment are still expected, however, and economic activity is expected to remain sluggish for most of the year—with a hopeful increase late in the year as activity increases in the U.K's principal foreign markets. Inflation, which averaged 20 percent in 1974, increased rapidly during the first months of 1975 to reach 25-30 percent by mid-year. Introduction of the government's "voluntary" incomes policy, under which the unions agreed to accept a maximum six-pound-per-week annual wage increase through August 1976, cut back the spiraling inflation rate to about 25 percent last year and prospects are for no more than a 15 percent rate for 1976. Investment during 1975 declined 14 percent, but is expected to drop by only about 8 percent in 1976. Unemployment reached a post-war high of 1.2 million in August, and some observers believe the total could hit 1.5 million before declining.

The gross national product, which rose by about 1.8 percent in 1974, probably dropped by almost 4 percent in 1975, and is generally expected to grow by no more than 1.8 percent in 1976 with almost all the increase concentrated in the latter half. Business confidence had reached a very low level during 1975, in the face of very high inflation rates, escalating wages, declining order books, rising materials costs and rigid controls on prices which severely restricted profits. Business confidence is now on the upswing in response to a belief that the bottom of the recession has been reached, inflation is decreasing slowly, wages are inflation is decreasing slowly, and wages are coming under control.

The balance of payments deficit, which stood at 3.7 billion pounds in 1974, is estimated at only 2.1 billion for 1975 and projected at 2.3 billion at end-1976.

Late in the year, the government introduced limited restraints on footwear and clothing from eastern Europe and surveillance over television tubes, television sets and textiles from all sources. These are expected to have no effect on U.S. exports to the United Kingdom.



U.K. imports from the world in January-October were valued at $44.9 billion, while imports from the United States reached $4.3 billion, equal to 10 percent of total imports. U.K. exports through October 1975 reached $36.6 billion, of which $3.2 billion, or 9 percent, went to the United States. The United States in 1975 ranked as both the most important supplier and the most important market for the United Kingdom. The U.S. share of the U.K. market actually increased slightly over 1974, when U.S. goods were less than 10 percent of U.K. imports.

The referendum on June 5 settled the question of whether the United Kingdom would remain a member of the European Community, with an overwhelming popular endorsement. On the tariff side, although the United Kingdom had become a member of the Community on Jan. 1, 1973, no changes were made in the U.K. tariff until April 1, 1973, when industrial tariffs were dropped by 20 percent for imports from Community members only. On Jan. 1, 1974, a further reduction of 20 percent for Community members went into effect, leaving applicable tariffs at 60 percent of their original levels. On Jan. 1, 1975, a further cut of 20 percent was made, leaving applicable tariffs at 40 percent of their original level. The existing duty-free entry for goods from Denmark, Ireland and "associable" Commonwealth countries will be maintained. The first changes made in U.K. tariffs applicable to other than Community members were put into effect in July 1974, when import duties were moved by 40 percent toward the Community's Common External Tariff. A second move of 20 percent was made on Jan. 1, 1975, a third move of 20 percent on Jan. 1, 1976, and the final step of 20 percent will be made on July 1, 1977.

The U.S. Trade Center in London will stage an exhibition in March for regulating and control instruments and equipment.

AUSTRIA

Economy In Recession, But U.S. Sales Climb

Although Austria's economy is currently undergoing the most serious recession of the postwar years, imports from the United States increased by 13 percent for the period January-August 1975, as compared with the same time span in 1974. Austria's export trade shows a general decline. Only exports to the oil producing countries have been on the rise, while sales to Eastern Europe are leveling off and exports to EFTA and EEC countries are dropping. Exports to the United States declined sharply, by about 40 percent, during the period January-August 1975, reports Gertrude Oppolzer of of the Bureau of International Commerce.

The recessionary slowdown has affected all industry sectors. Hardest hit are construction activities, while retail trade and tourism are continuing on an even keel.

While the June forecast for real GNP still showed a growth of 1 percent, September estimates indicate a 2.5 percent decline for the year. Unemployment remains low at 2.1 percent, but could rise to 3 percent in 1976.

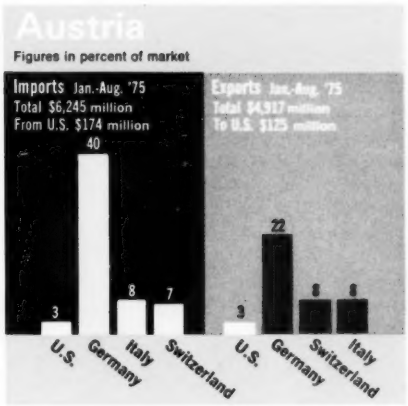
Austrian foreign exchange reserves are at the highest level in recent history ($3.5 billion) due to foreign borrowing by the government and high tourism earnings, together with a lower trade deficit.

While the rate of wholesale price increases has been decelerating continuously since last February, the consumer price index was 7.7 percent higher in October 1975 than a year before. According to the latest estimate of the Austrian Statistical Office, higher excise taxes and postal and public transportation fees may add 1.3 percent to the 1976 inflation rate.

According to a study of the Austrian Institute of Economic Research, the upswing following the current recession might start slowly at the beginning of 1976 along with a hesitant recovery of the world economy. This would enable Austria to increase efforts to step up exports, which should also be reflected in increased recovery of industrial production expected for the second half of 1976.

Since Austria's industrial economy has always been heavily dependent on foreign trade, U.S. manufacturers of various products are still in a good position to broaden their market. Exports of durable capital goods may remain at a low level until industrial production picks up, but U.S. prices are rather attractive, due to an almost 30 percent dollar depreciation vis-a-vis the Austrian schilling since 1973.

Demand for earth-moving and road construction equipment should continue



with regard to highway tunnel and subway construction. Demand should also pick up later in 1976 for American EDP equipment and electronic measuring, control and test equipment, as well as for advanced printing machinery and equipment.

Plans for U.S. promotional activities are currently modest and will mainly consist of catalog shows throughout 1976. Austria welcomes foreign investment. The principal attractions to investors are internal stability and the country's proximity to Eastern Europe.

DENMARK

Turnaround Is Near; Industrial Sales Grow

The Danish economy, which has experienced a deepening recession since 1974, appears near a turnaround, according to Albert Caya, Jr. of the Bureau of International Commerce.

Trends discerned in the second half of 1975, not yet measured statistically, indicate a bottoming out of the recession and some slight improvement in several indicators. U.S. industrial exports to Denmark are consequently expected to achieve a further modest increase over the next 5-6 months. Total U.S. sales, however, may show only marginal growth due to the slack demand for traditional agricultural exports from the United States.

A more pervasive upturn could offer even larger U.S. sales prospects, particularly of construction materials and plywood. As of now, indications of an upturn of such a magnitude are minimal and highly dependent on international developments. However, the Danish economy is currently in a good position to gain rapidly with overall international improvement.

Throughout 1974, and well into 1975, Denmark experienced declining production, construction activity and industrial investment. Slack foreign demand and a wait-and-see attitude domestically brought production cutbacks with a resultant unemployment rate of about 5 percent. Gross domestic product in 1975 declined and is estimated to be 2 percent below the $31 billion of 1974. Forecasts for 1976 are conditioned by developments in Denmark's major European markets; thus, growth in GDP for 1976 is projected to range from 3.5 to 4.5 percent higher, depending on the strength of OECD markets.

Denmark's imports in January-September totaled $7,371 million as compared to $6,975 million in the same period of 1974. This increase of just over 4 percent is attributable to price increases, since the volume of imports actually declined. Danish imports from the United States also declined during the period under review and totaled $424 million as compared to $427 million a year earlier.

U.S. export losses to Denmark are concentrated largely in agricultural products, i.e., feedgrains and oilseeds. U.S. sales of industrial goods, conversely, have been sustained and in some instances registered gains, particularly in industrial machinery, electrical equipment and instruments.

For the first half of 1975 the balance of payments (current account) was in deficit by $60.4 million, as compared to $853.6 million for the first half of 1974. This significant improvement was achieved because of declining imports, moderate gains in exports and improved terms of trade. For full-year 1975 the current balance of payments may have neared balance. A current account deficit ranging from $500-650 million is projected for 1976.

The recession, together with more favorable terms of trade, slowed domestic inflation significantly. Domestic prices were expected to increase only 10-11 percent for 1975 and about 5 percent in 1976. Bank liquidity has improved greatly. In August the prime rate was reduced to 7.5 percent.

FINLAND

Deepening Recession Curbs Market Growth

The substantial growth in U.S. exports to Finland that was experienced in 1974/75 is expected to slacken somewhat in the months ahead. Continued industrial investment in modernization and expansion, however, should sustain purchases of U.S. production oriented machinery, instruments and components, according to Albert Caya, Jr. of the Bureau of International Commerce.

The Finnish economy is experiencing a deepening recession with no significant turnaround expected during the first six months of this year. Gross domestic product in 1975 is estimated to have declined by 1 percent from 1974. In coming months, production, imports and exports are not expected to grow; rather some further falloff may be experienced, particularly in the import sector. Finnish industry today faces slack continental markets and sharp international competition. These factors, in addition to a high rate of domestic inflation (17 percent), have contributed to the erosion of export sales.

Recessive tendencies, which first became apparent in the lumber and wood products sectors in 1974, due to the sharp decline in construction throughout Europe, gradually spread to the pulp and paper industries in early 1975, then to chemicals and consumer products. Only in the heavy metal-working and engineering industries have production and foreign sales held their own. The orderbook for these industries, however, has become slimmer while the outlook for new orders is weak. Export performance in 1976 is not expected to reflect this weakening due to the timing of deliveries on major contracts scheduled for 1976. In value terms, foreign sales of the engineering industries may show a 20 to 25 percent nominal increase in the year ahead.

Following on the 1974 trade deficit of $1.3 billion, the 1975 trade deficit is estimated to be in the neighborhood of $2.4 billion. The major portion of this deficit is attributable to the imbalance in trade with the developed world, primarily Europe. Conversely, Finland's balance of trade with her bilateral trade customers, notably the USSR and Poland, improved from a deficit of Fmk 2.2 billion in 1974 to an estimated deficit of Fmk 2 billion in 1975.

The increase in the U.S. share of the Finnish market from 5.1 percent in 1974 to the January-September figure of 7 percent reflects non-recurring purchases, primarily aircraft. Thus the U.S. share

may be expected to revert to 5-5.5 percent in 1976.

Government measures to reduce many types of imports by a prior deposit plan adopted in March 1975 has had a dampening effect on imports. These restraining actions will likely be maintained.

Finnish industry, however, continues to invest in order to better its competitive position. Thus, opportunities for sale of U.S. equipment to the engineering, electronics and forest products industries remain promising. Sales potential is also good for process control instrumentation and data processing equipment.

NORWAY

Expansive Economy Boon To U.S. Exporters

The Norwegian market continues to offer U.S. exporters attractive sales opportunities in the face of a high level of domestic demand, as the government maintains an expansive, full-employment economy, reports Philip Combs of the Bureau of International Commerce.

Norway receives its primary economic stimulus from oil and natural gas development in the Norwegian sector of the North Sea. As a result, the best sales prospects for U.S. businessmen continue to be oil/gas exploration, recovery and transmission equipment.

Recession abroad has tended to dampen domestic economic activity by reducing the market for Norwegian exports. Increasing oil exports, however, should more than counter this effect, giving Norway in 1976 one of the highest growth rates among the industrialized countries.

Norway's gross national product was $26 billion in 1974. The government forecast 6.2 percent real growth of GNP for 1975. Real GNP in 1976 is expected to rise 7 percent, or 4.4 percent if shipping and petroleum-related activities are excluded.

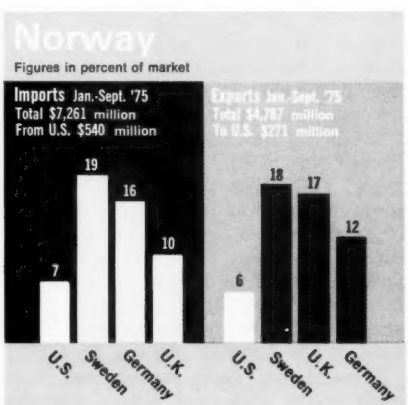
Investments, not including inventory build-up, were expected to rise 7.5 percent in 1975; no growth in 1976 is anticipated beyond the level of the preceding year. Investments in mining and manufacturing, projected to expand 10 percent in 1975, may drop in 1976 5 percent below the 1975 level. Shipping investments in 1976 should be half that of the preceding year. Capital outlays in the petroleum industry will continue to rise, but at a substantially lower rate than previously.

The consumer price index in Norway rose 11.9 percent in the 12 months to August 1975. Wage increases averaging 20 percent in 1974, more publicly regulated prices and declining government subsidies are major factors influencing Norwegian price levels. Prospects of holding 1976 price increases to targeted ceilings of 8.5 percent are uncertain in view of spring wage negotiations.

Projections show current account deficits of the Norwegian balance of payments amounting to $2.6 billion in 1975 and $2.1 billion in 1976. These deficits result in part from a full-employment policy.

Commodity exports during the first half of 1975 showed a sharp decline reflecting the international recession. Increased income from petroleum is expected to bring about a surplus by 1978; Norway's net foreign debt could then be paid off in 6 or 7 years. The volume of imports, which remained about unchanged in 1975, is expected to grow 8 percent in 1976.

U.S. sales opportunities in Norway are best in the area of investment goods; consumer goods imports show only erratic trends. Main imports from the United States, and their amounts in millions of dollars, in January-November 1974 were: Machinery, 156; transport equipment, 144; chemical compounds, mainly alumina, 24; oil seeds, mainly soybeans, 75; coal, fuel oils and lubricants, 26; grains, 33; fruits and vegetables, 17; scientific and technical instruments, 17; and raw tobacco, 9.



PORTUGAL

Economic Decline Dims Trade Prospects

U.S. exports to Portugal should show little growth in 1976, largely due to that country's pressing economic problems. U.S. sales to Portugal reached some $425 million in 1975, up from $407 million for 1974, according to Ken Nichols of the Bureau of International Commerce.

Since the April 1974 revolution, the Portuguese economy has undergone major structural changes accompanied by substantial labor unrest and political turmoil. In recent months, the political situation has stabilized under the sixth Provisional Government even though the economy has continued to deteriorate.

According to government officials, real GNP declined by 10-15 percent in 1975. Little, if any, recovery is foreseen in 1976, given the persistent decline in domestic and foreign investment and reduced export prospects. Contributing to the gloomy outlook has been the sharp fall in industrial productivity, an unemployment rate now exceeding 10 percent and spiraling wage/price increases.

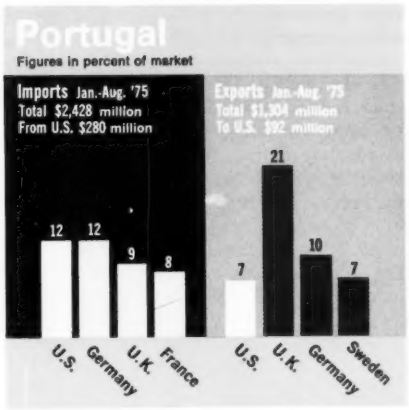
To restore investor confidence and stabilize the labor market, the government unveiled an austerity program in mid-December. Measures already being implemented include increased direct taxes, stricter price and wage controls, indemnifications for government expropriations, export incentives, and a detailed foreign investment code.

Portugal has been damaged by the current recession in Western Europe—its major export market. Import demand, however, has remained high, particularly for durable consumer goods, agricultural commodities and certain industrial products; crude oil imports alone totaled some $448 million in 1975. Last year's trade deficit was estimated at $1.8 billion; an improvement, however, compared to the $4.4 billion deficit in 1974.

To curtail import growth, authorities increased credit restrictions and put a 20-30 percent import surcharge on a wide range of products in mid-1975. The outlook is for further, but more selective import restrictions.

Tourist revenue and overseas remittances from some 1.5 million emigrant workers have fallen. To help offset this decline, counterbalance the rising costs of imports and to finance the payments deficit estimated at over $900 million in 1975, government officials have drawn on foreign exchange reserves while leaving the $1.2 billion in gold reserves largely untouched.

Despite the nationalization of financial institutions and certain industrial sectors,



foreign investment has, generally speaking, been exempt from intervention. Some of the 100-125 U.S. firms in Portugal, however, have been subject along with numerous domestic firms to worker takeovers and occupations. Total U.S. investment is estimated at $200-250 million.

The following product categories offer high potential for U.S. export sales: building and construction supplies and equipment; petroleum exploration and refinery, petrochemical and mining equipment; metalworking and finishing equipment; energy systems; food processing and packaging equipment; and health care industries equipment and instrumentation.

YUGOSLAVIA

Little Growth Is Seen For U.S. Sales In 1976

Little expansion of U.S. exports to Yugoslavia is foreseen for 1976 by Leo Kuus of the Bureau of International Commerce. The country's need to tighten its import regulations and to restrain investments in order to improve the balance of payments position and curb inflation will be limiting factors.

In real terms the Yugoslav Social Product, which does not include public and personal services or rent, increased in 1974 by 7 percent, and in 1975 by 6 percent, and is scheduled to rise in 1976 by 5.5 percent.

Government and party officials admit that implementation of the 1974 Constitution has caused some serious economic problems, while maintaining that the Yugoslav economic system based on workers' self-management is best suited to their country.

Yugoslavia has one of the highest rates of inflation among industrialized countries, 30 percent in 1974 and 17.5 percent in 1975. The main reasons are low productivity, low-yielding fixed investments, deficit financing of the federal budget, and the rapid rise of import prices.

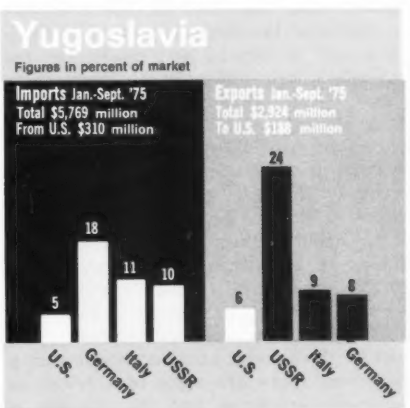
Increasing trade deficits, especially with developed countries, prompted the Federal Government to impose new import restrictions. Through administrative controls in the form of increased import surcharges, a more extensive licensing system, and reintroduction of export-import linking arrangements, imports in the second half of 1975 were held at last year's levels. Although these controls were scheduled to be lifted at the end of 1975, the linking of imports to exports will most likely remain as a permanent feature of the import system.

So far U.S. exports to Yugoslavia have only been slightly affected by the above restrictions.

U.S. capital goods with high technological component needed to increase exports of the domestic industry and for various infrastructure projects continue to have good prospects. Emphasis in the 1976 Plan on exports to lessen the dependence on foreign food imports and to increase production of basic raw materials has increased the need to import agricultural machinery and food processing and packaging equipment as well as heavy construction and mining machinery. Expansion of the production of electric energy through the construction of power plants ranks first among infrastructure projects.

Trade promotional events sponsored by the Department of Commerce in 1976 include: an agri-business trade mission in May; a catalog show featuring food processing and packaging equipment in September; and a technical sales seminar on energy systems in October.

Yugoslavia welcomes foreign capital in the form of joint-venture investment. At the end of 1974 the total joint-venture investment of 17 U.S. companies amounted to $28.5 million. A liberalization in the transfer of profits has been indicated for 1976, by allowing transfers not only from export earnings in hard currency but also from earnings which generated from import substitution.



GREECE

Road To Recovery Is Carefully Mapped

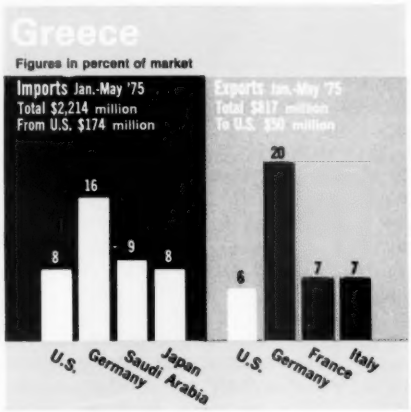
During 1976, Greece will continue its policy of careful economic expansion and in anticipation of early accession to the Common Market will begin the implementation of structural reform of the economy.

John L. Priamou of the Bureau of International Commerce reports that during 1975 the various anti-inflationary measures were gradually replaced by a policy aimed at mild stimulation. As a result the economy is showing moderate improvement with manufacturing output on a gradual upswing and with construction slowly getting out of a two-year depressive low level activity. In 1975, GNP grew by 2 percent and the goal for 1976 is to reach a 4 percent growth rate.

With the economy in the narrow path to recovery, one of the country's major problems is the deficit in the balance of payments which Greece has been carrying consistently. The March 1975 floating of the drachma and the resultant devaluation has helped to maintain the competitive position of Greek exports. For 1975 exports are estimated to be $2 billion while imports are expected to reach $5 billion. The growth rates over 1975 levels are 15 and 8 percent, respectively. Though invisible receipts—especially those from tourism—increased at a respectable rate, the overall balance of payments picture still leaves the account short about $600 million which the government will have to finance from external sources. To bring relief from the balance of payments problem and at the same time to prepare the economy for early entry into the Common Market the Greek Government is in the process of compiling a Five-year Plan (1976-1989) to be used as a tool to coordinate the medium and long-range goals for economic recovery, and structural reform. The objectives of the Plan are to continue the development of agriculture and to expand and modernize the secondary production base. Inherent in these structural improvements are the expansion of export capability, the cultivation of new foreign markets and the systematic development of local energy sources through exploitation of the country's mineral deposits.

To achieve these goals, Greece continues to encourage both domestic and foreign investment, which had been adversely affected during 1974 and early 1975 by regional political uncertainities and by the general world economic slump. However, there are signs of a return of business confidence and, as a result of wage increases, domestic demand seems to be increasing.

American products enjoy a high reputation for quality and considering Greece's brighter prospects for economic growth for 1976 and beyond, future sales look promising. The market environment, however, will be more competitive due to the progressive reduction in Greek tariffs on Common Market products. In this respect energetic salesmanship and financing will be the key factors in maintaining and increasing the U.S. market share.



TURKEY

U.S. Products Needed For Continued Growth

U.S. exports to Turkey, up 35 percent through October, are expected by Ann Corro of the Bureau of International Commerce to continue at a high level into 1976, although at a more moderate rate due in part to Turkey's critical balance of trade deficit. However, because of the nature of U.S. exports—chiefly, raw materials, equipment and machinery for Turkish industrial and infrastructural development—a curtailment of imports from the United States is not seen as compatible with Turkey's industrial growth ambitions.

Total Turkish imports reached more than $4.7 billion in 1975, with the U.S. share at 10 percent. Government and state-owned enterprises traditionally account for over one-half of capital goods imports and also purchase most agricultural items and consumer goods.

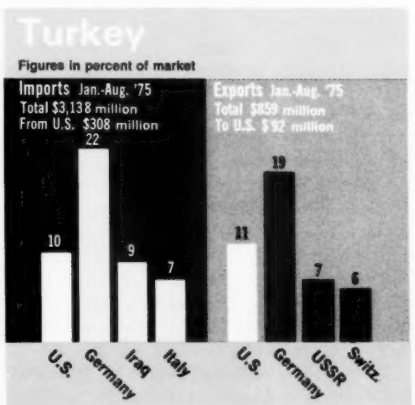
Rapid industrialization at a 12 percent yearly rate, as envisaged in Turkey's present Five-Year Plan (1973-77), is needed to realize the long-term export targets in industry and prepare Turkey for full membership in the European Economic Community by 1995. The current 8 percent increase in industrial growth represents a slight drop from 8.6 percent in 1974, and is partly attributable to a decline in industrial growth in the public sector.

Despite an estimated 7.4 percent real GNP growth in 1975, Turkish exports fell by 14 percent to $993 million through September while imports rose by 41 percent to $3.6 billion, resulting in a huge $2.6 billion trade deficit and a $1.5 billion overall balance of payments deficit. Improvement in these deficits is not foreseen for the next few years, but Turkey's commitment to an ambitious economic plan and so far achieved annual GNP growth rate of near 8 percent, has made these deficits more palatable. Continued economic recovery in major European markets will, hopefully boost Turkish exports and worker remittances.

The direction of Turkish export trade altered significantly in the first six months of 1975, to where exports to the nine European Economic Community countries dropped from the usual 50 percent of Turkish exports to a 36 percent figure. Bilateral trade agreements with East European countries were intensified in 1975, and long-term oil procurement agreements with Libya and Iraq were concluded.

Similarly, economic, technical and commercial cooperation agreements were reinforced by diplomatic meetings with the USSR and Pakistan. An Iranian credit of $1.2 billion is being negotiated with Turkey for expansion of road, harbor and railroad systems to facilitate the movement of Iranian imports across Turkey. Collaboration in tourism and increased trade expansion was also agreed upon between Iran and Turkey.

The Generalized System of Preferences is presently being negotiated to extend to Turkey. Continued excellent opportunities exist for U.S. goods and services in areas related to government projects for petroleum and mineral exploration, power plant construction (thermal and hydroelectric), food processing and packaging facilities, establishment of fertilizer, chemical, paper and pulp plants and expansion of airport, road and rail facilities.



U.S. TRADE WITH SOCIALIST AREAS AGAIN SEEN IN SURPLUS

Grain Agreements, Five-Year Plans Help

Led by large increases in exports of agricultural goods, U.S. trade with the socialist countries yielded a record $2 billion surplus in 1975. Grain agreements with the Soviet Union and Poland, plus new opportunities for U.S. firms under the 1976-80 five-year plans, should insure another sizable surplus in 1976, according to William T. Monroe of the Bureau of East-West Trade.

In 1975, exports to the Soviet Union and Eastern Europe reached new highs, while sales to the People's Republic of China (PRC) fell sharply from 1974's record amount of U.S. shipments. The considerable increase in exports to the USSR can be attributed to a poor Soviet harvest. Grain exports pushed total sales to the USSR to about $1,800 million, up from the 1973 high of $1,187 million. Exports of non-agricultural goods also contributed to the increase, totaling nearly $700 million (up from 1974's record $305 million).

A large increase in exports to Poland helped sales to Eastern Europe exceed the 1974 high of $820 million. The only significant decline came in sales to Romania, due in part to an absence of any individual large transactions in 1975. Exports of manufactured goods to Eastern Europe rose moderately.

Exports to China followed a different trend as sales of agricultural goods virtually ceased in 1975. However, U.S. exports of manufactured goods topped 1974's record of $138 million.

Commercial highlights of 1975 including the signing of a trade agreement with Romania and grain agreements with the USSR and Poland. The agreement with Romania, which went into effect in August, provided reciprocal extension of Most-Favored-Nation (MFN) tariff treatment, made Romania eligible for U.S. Government credits, and included provisions on improved market access and business facilities for U.S. businessmen. Romania is the only socialist country that has concluded a trade agreement with the United States under the Trade Act of 1974, which links extension of MFN and government credits to the question of "freedom of emigration." Poland became eligible for MFN in 1960 and Eximbank credits in 1972, but trade with the remaining socialist countries is hampered by the absence of these conditions.

The grain agreement with the USSR, signed in October 1975, guarantees U.S. farmers sales to the USSR of at least six million metric tons of wheat and corn annually for the next five years and should help prevent large price fluctuations on the world grain market. Under a new Maritime Agreement signed in December, U.S. flag ships will be able to carry a substantial portion of this grain and will receive a minimum freight rate currently higher than the world rate. The agreement with Poland calls for Polish purchases of 2.5 million tons of grain (with 20 percent leeway) annually over the next five years.

Last year also witnessed the proliferation of joint Economic Councils organized by the United States and Eastern European Chambers of Commerce and comprised of American businessmen and Eastern European commercial officials. During the year, the Romanian-U.S. Council held its second meeting; Councils established with Poland, Bulgaria, and Hungary, their initial meetings; and a Council was formed with Czechoslovakia.

New five-year plans

The socialist economies began operating under new five-year plans in January. Guidelines are being released and final directives should be published by spring. Available information suggests that the Soviet Union, Bulgaria, and Czechoslovakia will stress modernization and reconstruction of plant and equipment, while the remaining countries will emphasize new projects.

In broad terms, areas of increased emphasis for all or most of the socialist countries will include energy and chemicals/petrochemicals. Agriculture and food processing, construction, and transportation also will rank high.

All of the socialist countries have felt the impact of increased energy prices and are striving to expand production and develop new sources. The Soviet Union will continue to seek arrangements with Western firms to speed up development of its oil, gas, coal and other mineral resources. China will stress rapid development of its oil industry. Romania will invest heavily in power engineering and seek assistance for extraction of its off-shore oil and other energy sources. Poland, Czechoslovakia, and the German Democratic Republic (GDR) will expand exploitation of coal reserves. Bulgaria will attempt to utilize its oil shale and Hungary will expand coal and gas output.

In the chemical/petrochemical sector, the Soviet Union is planning 60 to 65 percent growth over the next five years with emphasis on increased production of mineral fertilizers. Poland and Czechoslovakia will initiate several projects that will utilize Western input. Romania and China will use their own petroleum resources to expand their petrochemical industries, while the GDR, which directs most of its oil imports into petrochemicals, will also stress expansion of this sector. Hungary and Bulgaria will funnel a large share of investments into both chemicals and petrochemicals.

In agriculture, the socialist nations will expand efforts to increase efficiency, mechanize production, and modernize food processing. Poland, Hungary, Czechoslovakia, and Bulgaria stand out as growing markets for food processing equipment.

Construction has been a traditional problem area, and several countries—particularly Bulgaria, Czechoslovakia, the GDR, and Hungary—will emphasize housing. In transportation, China will build up its inadequate transport network, while the USSR, Poland, and Bulgaria will stress modernization and expansion of their railroad systems. Bulgaria will undertake a major roadbuilding effort and the GDR will begin extensive highway repair.

While excellent opportunities exist for U.S. firms, hard currency and credit difficulties may limit potential sales. Western inflation has raised the costs of hard currency imports from the West, and the recession has limited the socialist countries' ability to earn hard currency by selling to the West. Accordingly, the socialist countries' deficit with the United States has been matched to varying degrees in their trade with other Western countries. Most socialist countries are borrowing heavily and many are evaluating import priorities and even taking steps to restrict imports. Greater emphasis will be put on counter-purchase or buyback as a means of payment for Western equipment and technology.

This table has U.S. data; charts on pages 24-27 use local data, and show competitive position vs. Western nations only.

BULGARIA

Plan Calls For More Buying From West

U.S. exports to Bulgaria should rise moderately in 1976 as the country embarks on a new Five-Year Plan that calls for increased purchases from the West. Although the level of U.S. exports in 1976 will depend on Bulgarian agricultural needs, U.S. exports of manufactured goods should continue to expand, William T. Monroe of the Bureau of East-West Trade reports.

Guidelines for the Seventh Five-Year Plan (1976-80) will not be released until March, but preliminary reports indicate that the Bulgarians will place heavy emphasis on modernization of existing plant and equipment. In the agricultural sector, 40 percent of total capital investments will be earmarked for modernization programs aimed at fully mechanizing and automating production. Similarly, in the chemical industry (Bulgaria's fastest growing) one-third of all investment will go for modernization. Other areas of priority will include electronics (with emphasis on peripherals and software), construction, machine-building, and metallurgy.

Under the new Plan, one-fourth of the equipment imported for modernization will come from Western suppliers. In addition, Bulgaria may spend $50 million annually on purchases of licenses from the West.

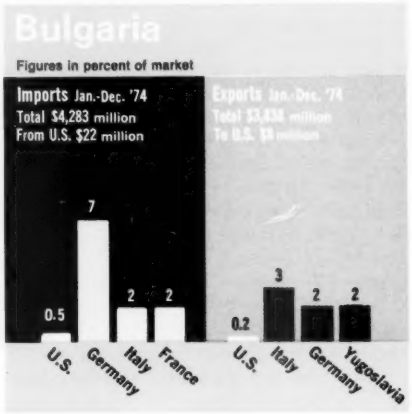
The Bulgarians have expressed particular interest in U.S. equipment and technology in the construction, chemical, and agricultural and food-processing sectors.

The Commerce Department plans to hold a technical sales seminar on plastics production in Bulgaria in May and an exhibition of chemical and construction equipment at the Plovdiv Fair in September.

Trade with Bulgaria has traditionally been heavily weighted toward agricultural products. Chief exports in 1975 included corn, soybeans, and poultry feeds, while leading imports included tobacco, paprika, and hams. However, exports of manufactured goods have increased steadily from a value of $1.5 million in 1972 to $8.1 million for the first ten months of 1975, and should continue to rise as commercial contacts increase.

Factors that should improve prospects for U.S. firms include: Bulgaria's strong rate of growth, which helps insure a corresponding increase in foreign trade; a new decree on representation offices that for the first time permits foreign firms to station representatives in Bulgaria; and continued emphasis on cooperation agreements with Western firms. In the private sector, the establishment of the U.S.-Bulgarian Economic Council (a joint Chamber of Commerce organization) will provide the framework within which U.S. businessmen and Bulgarian commercial officials can discuss trade issues and opportunities.

At the same time, Bulgaria's rejection of the 1974 Trade Act stipulations which link the extension of M-F-N tariff status and governmental credits to the question of "freedom of emigration" lessens the prospect of any dramatic increase in trade.



CHINA

Trade With U.S. Down But Prognosis Is Good

U.S. sales to China declined sharply in 1975 and may decline again slightly in 1976. Nevertheless, the prognosis for future trade in raw materials, in machinery and in areas of high technology remains bright, according to Nancy Chen of the Bureau of East West Trade. The decline in two-way trade to around $450 million, from more than twice that level in 1974, was caused by virtual cessation of agricultural purchases.

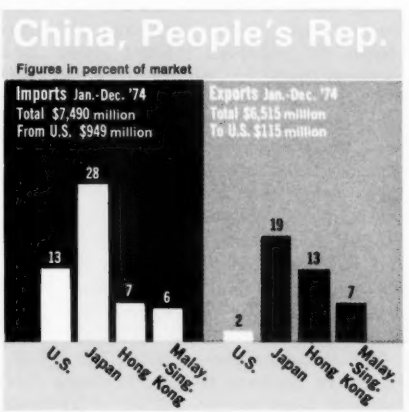
After a rapid expansion of China's foreign trade from $5.9 billion in 1972 to $14 billion in 1974, preliminary estimates for 1975 suggest only a small increase. Slack demand for Chinese exports such as textiles, rice, and light industrial products has inhibited rapid growth of exports even though China earned over $800 million from crude oil exports in 1975.

Owing to substantial trade imbalances in 1973 and 1974, China sharply reduced imports in 1975, especially agricultural products where good crops reduced the need for foreign purchases. In addition, the large purchases of complete plant and equipment were not continued on the $2.3 billion scale of 1973-74, although 1975 contracts probably reached $350 million. As a result, China's trade deficit in 1975 is expected to be sharply lower. While the PRC has accumulated substantial short-term debt, its credit rating remains excellent.

Late in 1975 there were signs of easing in China's foreign exchange problems. Recent purchases from the United States have included over $40 million in aluminum ingots, $30 million for oil field equipment, and over $10 million in petrochemical process know-how. Since the resumption of limited relations in 1972, sales of U.S. petroleum equipment have exceeded $120 million, not including the $215 million Kellogg ammonia plant contracts. The number of American businessmen attending the fall Canton Trade Fair rose to 600, while the level of business transacted reached $56 million, about the same as at the spring fair.

Last year saw the initiation of commercial exchanges between the two countries. The National Council for U.S.-China Trade hosted four delegations from China's foreign trade corporations while the Chinese received U.S. delegations from the Electronics Industries Association, the National Machine Tool Builders' Association, and the San Francisco Chamber of Commerce.

Normalization of commercial relations between the United States and China is still impeded by a number of unresolved issues. Exchange of trade exhibits and normal banking and shipping relations await the resolution of the linked issues of PRC assets blocked in the United States and U.S. private claims against China. Most-Favored-Nation tariff status and Eximbank credits can be granted to China only if a trade agreement is reached as required by the Trade Act of 1974. Such an agreement involves a number of complex questions. Despite these difficulties, 1975 saw continued improvement and better understanding in the development of commercial relations between the two countries.



CZECHOSLOVAKIA

Equipment Purchases In West Are Planned

Trade with Czechoslovakia in 1976 could be sparked by participation of U.S. firms in projects that are key to Czechoslovakia's newly inaugurated five-year economic development plan (1976-80), according to James L. Ellis of the Bureau of East-West Trade.

Plans are to spend $3.5 billion in the West during this period for high-technology capital equipment alone. Having fulfilled its Fifth Five-Year Plan with an average annual growth rate approaching 6 percent, Czechoslovakia is entering into its Sixth Five-Year Plan with a somewhat lower anticipated growth rate (about 5 percent), because of long-term problems of labor and energy shortages. By selectively developing key sectors, however, planners hope to keep the $50-billion-GNP economy on a positive development course.

Although plan details are yet to be published, areas which will probably be stressed will include machine tools, petrochemicals, and energy. Building construction programs will also receive continuing attention, as will expanded output of construction and road-building machinery.

Some of the largest investments during the next five-year period will be in petrochemical processing, where the United States is viewed as a world leader. U.S. bids have already been invited on a 30 to 40-thousand-ton polypropylene plant to be constructed in Bratislava beginning in 1977. Output of the chemical industry is to increase by more than 8 percent in 1976 alone.

Energy will receive constant attention in the 1976-80 period, since Czechoslovakia, as a result of its own limited natural resources, must satisfy its continued growth largely from energy imports. Best opportunities for U.S. firms may lie in computer control systems and measuring instruments for coal extraction and fuel processing. U.S. industry may also be able to supply certain peripheral equipment in connection with priority programs for the building of electric power plants (both thermal and nuclear), and expanded coal output (both brown and hard).

Feed grains and cattle hides will undoubtedly lead U.S. exports to Czechoslovakia in 1976, as they have for the past several years. The call for feed grains will probably eventually dwindle, however, as Czechoslovakia works toward self-sufficiency in animal feed production.

U.S. firms may wish to participate in the 1976 Brno Fair, Sept. 15-23.

For the longer term, U.S. firms may wish to consider establishing offices in Czechoslovakia. A new Czechoslovak law permits establishment of such offices, which at the outset will be generally restricted to firms which have had some prior business dealings with Czechoslovakia.

To meet anticipated demand for office facilities in connection with the new law, Czechoslovakia plans to erect a World Trade Center in Prague in the next five years. As the Czechoslovaks have neither the design nor construction capacity for this project, bids will be invited from foreign firms.

GERMAN DEM. REPUBLIC

Expansion Of Trade With U.S. Is Sought

Foreign trade officials of the German Democratic Republic are calling for a 9.7 percent growth rate in GDR foreign trade for 1976, including a significant increase in trade with the West. However, the increase in prices the GDR must pay for raw material imports from the Soviet Union, particularly for petroleum, natural gas, hard coal, and iron ore, calls into question the extent to which the country will actually be able to increase its trade with the West, including the United States.

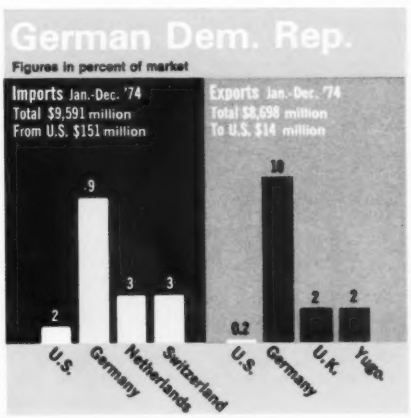
Total trade between the United States and the GDR is expected to reach about $30 million for 1975, down slightly from 1974, Donald Hasfurther of the Bureau of East-West Trade reports. It should be noted that this estimate does not reflect the large amounts of U.S. agricultural products transshipped each year to the GDR through Western Europe (which are listed by the GDR as imports from U.S., as on the accompanying chart). Such grain shipments should continue at a substantial rate into 1976, particularly in light of the rather severe drought last summer.

While U.S.-GDR trade in manufactured goods remains at an extremely low level, the potential for such trade is nevertheless high. In 1974, the GDR gross national product reached an estimated $59.8 billion. The per capita GNP of about $3,500 exceeded that of any other Socialist country and was equal or superior to that of several Western industrial nations. In addition, GDR industrial output in 1974 was about 54 percent of GNP, placing the country among the world's 11 top industrial producers.

In an effort to acquaint the American business community with the GDR economy and possible areas for U.S.-GDR commercial cooperation, GDR officials have participated in recent months in a number of trade promotion activities in the United States. In addition, Foreign Trade Secretary Gerhard Beil visited the United States in December. Dr. Beil indicated the areas with the greatest potential for commercial cooperation as being the chemical industry, electrical engineering and electronics, machine tools, textile machinery, precision engineering, optics, and grains and feedstuffs.

The GDR 1976-80 Five Year Plan, scheduled to be approved at the Party Congress in May, should also serve as a guide to those areas that offer the greatest opportunities for trade and cooperation. Indications are that the plan will stress a stable raw material and energy base for the GDR, development of mechanical engineering, an upswing in the construction industry, and an increase in the efficiency of agricultural production. As with the other labor- and resource-scarce countries of Eastern Europe, the GDR will be placing great emphasis on the introduction of advanced technology to increase industrial productivity. Herein lie the greatest opportunities for U.S. business. Prospects in consumer goods are not very high.

The U.S. Department of Commerce is sponsoring a number of trade promotion events in the GDR in 1976, including an exhibition at the Leipzig Fair March 14-21.



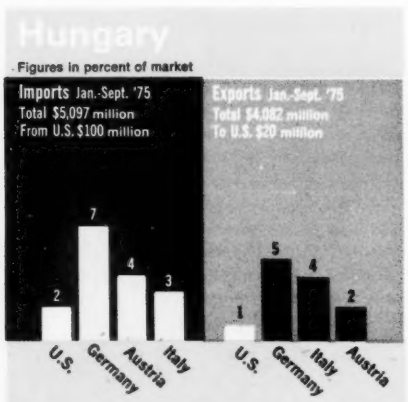
HUNGARY

Stresses Development Of Export Industries

As Hungary implements its Fifth Five-Year Plan covering 1976-80, U.S.-Hungarian bilateral trade should continue its upward growth, reports Mona F. Levine of the Bureau of East-West Trade. Hungarian needs for U.S. technology and agricultural commodities should allow U.S. exports to increase at the same annual rate—30 to 40 percent—as over the last few years. Expansion of U.S. imports from Hungary should also continue but the extent to which it does will depend, partly at least, on whether Most-Favored-Nation status is extended to Hungarian products.

Hungary's 1976-80 Plan stresses capital equipment improvement and development of export capabilities as the main goals. The Plan places particular emphasis on chemicals and agriculture as areas for export expansion. Vehicle manufacturing, telecommunications, precision instruments, heavy-duty generating equipment and aluminum are singled out for special attention.

With foreign trade accounting for 40 percent of its GNP, Hungary must increase its exports to overcome the trade deficit problems with both the East and the West that have blighted its foreign trade picture in 1975. Import requests will be carefully scrutinized so that hard currency is expended only on items essential to the achievement of industrialization goals. Financing, too, will be a main concern. Since Hungary is not eligible for Eximbank programs, U.S. firms will come under increasing pressure to transact business with Hungary through Western European subsidiaries that may be able to obtain preferential financing arrangements. To combat the effect of worldwide inflation on the Hungarian economy, government plans include the lowering of overall growth rates, reducing subsidies, and increasing prices.



Despite these actions, prospects for increased trade between the United States and Hungary remain favorable. Agricultural products will continue to account for the major portion of bilateral trade. U.S. shipments of soybean oilcake and meal for the first 10 months of 1975 amounted to nearly one half of total U.S. exports to Hungary for the period. Hams are the leading import from Hungary, from January through October approaching a third of total imports. U.S. firms may find trade possibilities in Hungary's allocation of substantial funds in the development of mechanized agriculture and food processing. Sugar, vegetable oil and meat processing will receive specific attention.

The chemical and petrochemical industry is the second major field offering opportunities for U.S. firms. To explore possibilities for long-term cooperation in both production and research and development, a delegation from the Hungarian chemical industry visited the United States in November. To aid U.S. firms in exploring this sector, the Commerce Department will sponsor an exhibition of chemical and petrochemical equipment at the Budapest Fair in May.

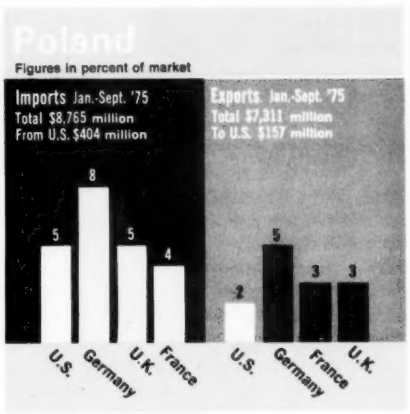
To avoid excessive near-term outlays of hard currency, Hungary is stressing industrial cooperation in its trade with the West. Corning Glass recently became the first U.S. firm to enter into an equity joint venture agreement with a Hungarian enterprise.

POLAND

Trade With U.S. Seen Moving Ahead In '76

Continuing the trend of previous years, U.S. exports to Poland registered new gains in 1975. According to Leon Lewins of the Bureau of East-West Trade, U.S. exports to Poland in 1975 will probably add up to approximately $600 million; imports from Poland should total roughly $250 million, resulting in a $350 million trade surplus in favor of the United States. Indications point to a continuing upward trend in U.S.-Polish trade and it is anticipated that this year's U.S. exports to Poland will probably reach about $700 million.

Agricultural products will continue to play an important part in U.S.-Polish trade exchanges. The understanding reached last November, under which Poland is to purchase from the United States annually, during 1976-80, 2.5 metric tons of food and feed grains (with variation of plus or minus 20 percent), virtually insures it.



Poland is well along on a course of expansion of its industrial base and a growing volume of industrial production. This course calls for the continuation of substantial imports of advanced machinery and technology from the West. Moreover, the engineering industry, Poland's largest employer, is reportedly scheduled to double its production in the coming five years. Standardization and automation will receive top priority and will also require much equipment from the West.

Among the various industrial sectors, within the engineering industry, particular emphasis will be placed on the further expansion of shipbuilding. It is reported that Polish exports of ships contributed some $500 million to the country's balance of trade. Poland's modernized shipyards now produce tankers of 100,000-ton capacity, fishing vessels, and other types of ships. Also slated for expansion during 1976-80 is the automobile industry; its production capacity is scheduled to increase to 200,000 cars a year. Output of airplanes for agricultural uses, helicopters, and gliders will also be stepped up.

In addition, the export oriented machinery industry will be strengthened with investments in the manufacture of metalworking and construction machinery, machine tools, excavators, bulldozers, loaders, cranes and other equipment. Substantial growth is envisaged for the chemical industry, and the electronics industry plans to begin production of color television sets in the near future.

U.S. technology and know-how can contribute substantially to fill Poland's needs. As in the past, the Commerce Department's Bureau of East-West Trade is encouraging the participation of U.S. firms in the spring Pozan International Trade Fair, is organizing a technical sales seminar covering materials handling equipment, and is generally assisting American firms to obtain a fair share of the potential business now available in Poland.

ROMANIA

Economic Goals Provide Opportunities For U.S. Sales

U.S. trade with Romania was somewhat slower-paced in 1975 than in the record year of 1974, according to Suzanne F. Porter of the Bureau of East-West Trade.

Trade turnover during the first 11 months of 1975 dropped about 20 percent from the level of the same period in 1974. This decrease resulted in large measure from the fact that during 1975 there were few if any big-ticket transactions such as sales of U.S. commercial jet aircraft or unusual U.S. demand for Romanian petroleum products. Instead, routine shipments continued to sustain U.S.-Romanian trade.

July flood damage to crops and industries in Romania and the impact of Western inflation and recession exacerbated Romania's hard currency shortage. Nevertheless, by restricting domestic consumption and less-essential imports, Romania will continue to import needed Western capital equipment and technology.

The U.S.-Romanian Trade Agreement, approved by the U.S. Congress in July, entered into force Aug. 3. The Agreement provides for Most-Favored-Nation tariff treatment and a variety of other basic understandings on commercial relations between the two countries. Congressional approval of the Agreement permitted resumption of eligibility for U.S. Eximbank, Commodity Credit Corporation, and Overseas Private Investment Corporation credits for U.S. exports to Romania.

During the 1976-80 Plan, Romania will emphasize rapid industrial development and increased investment in agriculture. Plan directives have set targets of average growth rates in industrial production at 11.2 percent and in agriculture at 4.6 to 6 percent.

High priority is given to technology and equipment for industrial electronics and optics, mining and metallurgical products, transport equipment and chemical and petrochemical facilities.

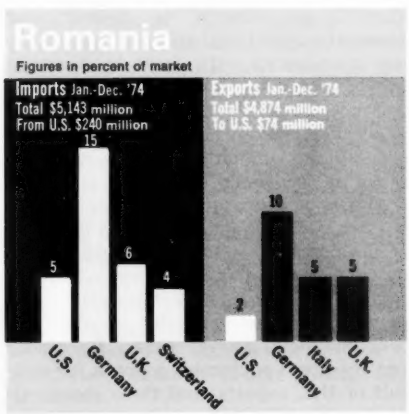
U.S. machine tools, and data processing and production equipment for electronic controls and instruments will be sought.

To develop manufacturing facilities for copper and aluminum, Romania is interested in U.S. technology. Although dependent on imported iron ore and coke, Romania will construct an iron and steel complex in Clarasi.

In addition to offshore drilling for petroleum, the government plans to develop power resources by expanding bituminous coal output, developing hydroelectric sources and initiating a nuclear power program.

Major projects may involve U.S. technology in plastics, synthetic rubber, and fertilizers.

Romania continues to be interested in long-term industrial cooperation with U.S. firms for projects in Romania and in third countries.



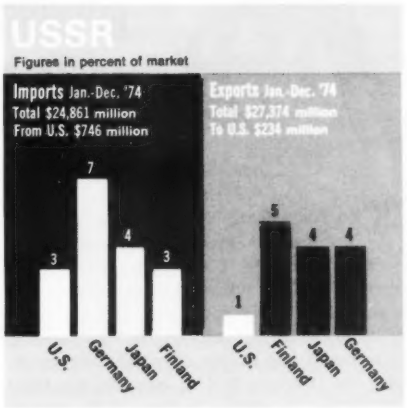
USSR

Trade With U.S. To Top Record Set Last Year

U.S. trade with the Soviet Union in 1976 is expected to top the record set last year, when turnover reached an estimated $2.1 billion with exports of about $1.8 billion and imports of about $250 million.

Large shipments of grain, which made up roughly 60 percent of U.S. exports in 1975, should continue through 1981, Jack Brougher of the Bureau of East-West Trade points out. The 1975 Grain Agreement provides for annual Soviet purchases of up to 8 million but no less than 6 million metric tons of U.S. wheat and corn. A new six-year Maritime Agreement continues to assure U.S.-flag vessels the opportunity to carry one-third of the freight, including grain, shipped between the two countries.

American non-agricultural exports more than doubled last year to reach an estimated $700 million and in 1976 are expected to rise further as deliveries are made under contracts signed in previous years. Although the Soviet Union remains dissatisfied with the absence of Most-Favored-Nation treatment for its exports to the United States and the denial of further Eximbank credits, Soviet industry and trade officials continue to be interested in U.S. products as evidenced by frequent Soviet commercial travel to the United States. In 1975 the Soviets signed large contracts with U.S. firms for delivery of products such as crawler tractors, submersible pumps, a molding system



for steel castings, and equipment for an artificial fur plant, half-bearings plant, iron ore pelletizing plant, and gear cutter plant.

The USSR sustained a record hard currency deficit in 1975 and is expected to sustain a large deficit in 1976. This puts further pressure on the Soviets to source their purchases of Western equipment from Western Europe, Canada, and Japan, where long-term financing at concessionary rates is available. U.S. firms, which cannot match the financing packages of their Western competitors, are at a marked disadvantage in competition for new contracts in the cash-pinched Soviet market.

Imports from the USSR, an estimated $250 million in 1975, should rise considerably this year as U.S. demand strengthens for platinum, chrome ores and concentrates, nickel, diamonds, and fuels, the principal commodities imported last year.

The 1976 Soviet economic plan and the basic directions announced for economic development in 1976-80 continue to stress a growing role for foreign trade, including trade with the West, in modernizing and expanding the economy. The extremely poor grain harvest of 1975 has slowed the growth of the Soviet economy, and in 1976 the USSR has set the most modest target for economic growth since World War II. The 1976-80 Plan will emphasize completion of projects already under way and re-equipment and expansion of existing plants rather than the start-up of construction of new plants.

To expand and improve the quality of production, important Soviet purchases in the West are expected for high priority industries such as agricultural chemicals, gas and oil production and transportation, machine building, and railroads. There may also be important export opportunities for U.S. firms in connection with new large industrial projects, most of which will be designed to open up exploitation of mineral and energy resources in the vast areas of the Ural Mountains.

BOOMING NEAR EAST, N. AFRICA AREAS BUYING MORE FROM U.S.

Black Gold Rush Sparks Dramatic Increase

The Near East-North Africa region is the fastest growing market in the world, reports M. Kay Thompson of the Bureau of International Commerce. U.S. exports to these countries are expected to increase 58 percent in 1975 over 1974. In some of the major oil-producing countries the increase in U.S. exports has been even more dramatic. In Iran, U.S. exports were up 80 percent in 1975; in Kuwait, 72 percent; Libya, 75 percent; Saudi Arabia, 74 percent. Total exports to the 19-country market of 150 million people are expected to reach about $10 billion.

These dramatic statistics result from the favorable change in the terms of trade between this region and the rest of the world which began with the rapid rise in the price of crude oil in 1973. The oil-producing countries of the region now have revenues four and five times their pre-1973 income, and they are using these funds for massive economic development programs in their own countries as well as for loan assistance for projects throughout the area. These development programs plus heavy requirements for American agricultural products and purchases of defense equipment should continue to produce record sales of U.S. goods and services, resulting in sales of $13 billion in 1976.

Opportunities for sales exist in all countries in the region. The close regional ties created by the Islamic religion, the OPEC cartel, and other mutual political and economic interests bind many of the countries of the region, and have led to the creation of generous loan and grant programs by the oil-producers for other countries of the area. The result is impressive levels of economic activity throughout the Middle East. The largest and most diversified markets are Algeria, Iran, Iraq, Israel, Libya, and Saudi Arabia, where development programs are being accelerated and expanded.

Even those countries which have expressed acute political and economic antipathy towards the United States in the past have shown a new willingness to accept U.S. products and technology where these are superior and/or competitively priced vis-a-vis their traditional European suppliers. Implementation of major industrial projects and expected deliveries of equipment in areas where U.S. technology is very attractive will provide especially strong markets in Algeria and Saudi Arabia.

The Near East/North Africa region is expected to earn as much as $300 billion in foreign exchange over the next several years, half of which should go for imports. American firms have shown that they can compete effectively for sales, and consulting and construction contracts. With continued aggressive efforts on the part of U.S. businessmen, the U.S. share of the Middle East market should be 20 to 25 percent.

The governments of all Middle Eastern countries play a very active role in economic decision making, although the extent of this role varies from broad government ownership in countries such as Iraq, Libya, Algeria, Kuwait and Egypt, to the private enterprise oriented economies of Israel, Saudi Arabia, Lebanon and the United Arab Emirates. The stark comparison between the low standard of living for much of the population with the opulence of a small circle of government and business leaders which has existed in the past has led to a widespread government commitment to expand the social, cultural and economic opportunities available to all the people of the area. Governments throughout the region are formulating and implementing programs for improvements in social welfare services such as education, health, and housing. Projects in these fields will continue to receive very high priority, almost all sponsored by public entities.

An important part of the program for improving living standards is creating jobs. To improve investment prospects and thus the range of job opportunities, Middle Eastern governments are also heavily involved in projects for development of communications, highways, railroads, ports, power and water. Foreign investment is being actively courted by the governments of Egypt, Jordan, and Israel. Capital surplus countries such as Saudi Arabia, Kuwait, Iran and the United Arab Emirates are seeking foreign expertise and technology and they usually require small amounts of equity investment as earnest money.

Near East/North African governments are also attempting to cope with the problems resulting from the rapidity of the drive for development. Scarcity of trained local decision makers and administrators as well as other skilled labor, heavy port congestion, and limited internal transportation and communications are all acting to inhibit economic expansion. Several governments are actively seeking technical assistance, and other forms of help in dealing with short-run bottlenecks and developing programs.

The private sector in many of these countries has been given a new lease on life as their economic planners have begun to realize the importance and efficiency of the profit motive in a strong economy. It is helpful to form partnerships with local, well-established firms who know the country, its people and customs. Associating with a local agent or partners is required in Saudi Arabia and a distinct asset in all other countries of the region.

The two most important elements of successful business operations in the Near East/North Africa are flexibility and patience. Personal relationships between seller and customer are important. Observance of Middle Eastern social customs and familiarity with local holidays is also helpful. Business is conducted at a slower pace than is customary for U.S. businessmen, and several trips to the area may be necessary to consummate a large sale. An important part of the process of reaching an agreement is the assessment of the visiting businessman, and subjective criteria are certainly part of the decision-making process.

The limited availability of management, labor and infrastructure require that businessmen be flexible in their approach to this market. These scarcities have made package projects very attractive. The firm that offers a complete package of design engineering, construction, and training both in the country and in the United States has a significant advantage over competitors. Ability to service equipment or willingness to establish a service facility is also an essential part of a competitive sales package. A willingness to be flexible in other areas, such as providing housing, recruiting from surplus labor countries, providing education facilities for workers and dependents, and establishing health care centers and recreation facilities at project sites, can also be helpful to American businessmen seriously interested in long-term business relationships in the Middle East.

Rewards abound

In summary, successful business operations in the Middle East require substantial groundwork, a diversity of personal support activities, a close working relationship with local businessmen and government officials, considerable patience, flexibility and a long-run point of view. However, the potential rewards are almost unlimited across the full range of economic activities.

Almost any product can find a market in the Middle Eastern region, the pace of development is so rapid. Agricultural products account for a large part of current U.S. exports to the region, and they are expected to rise considerably over the next several years. Machinery and transport equipment account for over half of U.S. exports, and these should al-

so continue to rise rapidly with the development of new industrial capacity and infrastructure.

New opportunities arise almost daily for architectural, engineering and construction firms in the fields of port and airport expansion, highway and railroad development, urban development, and water and electricity supply. Service contracting for operations and maintenance in such fields as hospital administration, port management, and hotel and other tourist facilities management, also continues to offer lucrative opportunities.

Commerce action group

The Commerce Action Group for the Near East (CAGNE) in the Bureau of International Commerce serves as the focal point for Commerce Department activities in support of U.S. business in the Near East/North Africa area. CAGNE offers a full range of services that can contribute to the competitive advantage of Americans conducting business in this market. These include trade missions, catalog shows, trade opportunity listings, agent/distributor locator services, background reports on foreign firms, seminars, and in-depth briefings on individual countries.

CAGNE is in the process of revising its publication, *The Near East and North Africa: A Report to U.S. Business*, which should be ready for release in March. The booklet will give up-to-date information on trade and investment opportunities in the area, advise businessmen on how to do business in the region, and update the list of facilities available in each of the countries.

CAGNE is also involved in the bilateral joint commissions for economic and commercial cooperation that have been formed between the United States and Egypt, Israel, Jordan, Iran, Tunisia and Saudi Arabia. Each of these commissions is expected to meet at least once in 1976, and Commerce will use these forums to describe the capabilities and present the views of the U.S. business community.

A strong program of trade promotion activities is planned for 1976. Twenty trade missions have already been scheduled. Product areas for these missions include hospital and medical systems, transportation equipment, materials handling equipment, agricultural equipment, building and construction, and agri-business. A variety of industry shows is planned for the U.S. Trade Center in Tehran, including a toy fair, and energy systems, housing construction and furniture shows. Commerce will assist U.S. participation in trade fairs in Cairo, Saudi Arabia, Iran and Syria. Several catalog shows and other activities also are planned. For information on how to participate contact Robert Ruan, 202-967-2952.

ISRAEL

U.S. Increases Share Of Technology Market

Most indicators point toward an outstanding year in 1976 for U.S. exports to Israel. As of June, the American share of the Israeli import market was 22 percent, up from a 1974 share of 18 percent. U.S. exports to Israel in 1975 are estimated to have achieved an approximately 40 percent increase in volume over 1974. Economic trends in Israel should continue to favor increased U.S. exports to that country during 1976, according to G. Gayle Reichhardt of the Bureau of International Commerce.

Israel's GNP in 1974 was about $9 billion, rose moderately in 1975, and is likely to grow only slightly in real terms during 1976. The proposed 1976 austerity budget of about $11.8 billion represents no real increase over the current budget (which expires at the end of March). Despite continuing balance of payments deficits and increasing national debt, some positive economic indicators and several recent events appear to justify an optimistic outlook for 1976.

Unilke most of the world, Israel was virtually unaffected by unemployment in 1975. Inflation, while still a problem, has been drastically reduced. During 1975, the consumer price index rose 24 percent, compared with a 56 percent increase during 1974. A system of small, regular currency devaluations intended to discourage speculation, encourage exports, and attract foreign investment was implemented in June. More stringent economic measures were applied in September to combat inflation and stem the fall of foreign currency reserves. The pound was devalued by 10 percent and purchase taxes were increased, as were the prices for fuel, water and electricity. The Israelis are also hopeful that the Sinai II agreement with Egypt will permit them to reallocate more resources to civilian production.

Israelis have a high regard for American capital goods and technology. This, coupled with Israel's need to expand domestic production for export, should provide U.S. firms with sales leads in several areas. Expansion of the chemical and petrochemical industries is a high priority as Israel seeks to turn its raw materials into exportable products. In addition to more intensive oil and gas prospecting—in which over $100 million will be invested—about $1 billion will be invested in the chemical processing industry over the coming four years. A Commerce Department-sponsored trade mission to Israel and Iran in December verified that preference is given in Israel to United States suppliers in this field.

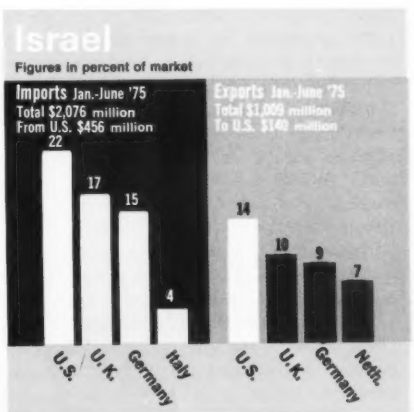
The Israeli electronics industry is developing rapidly, with the United States as its major supplier of production and test equipment and components. A good market exists for U.S. metalworking and finishing equipment, computers and related equipment, process control instrumentation and business equipment and systems. There are also opportunities in the health care and avionics industries.

Several recent developments should encourage American businessmen to investigate investment opportunities. As of this year, Israel is eligible for the generalized system of preferences (GSP), which will permit Israel to export a number of products to the U.S. duty-free. Israel has also agreed to reduce tariffs on certain U.S.-made items. Last year Israel entered into an agreement which will give Israeli goods duty-free access to the EEC by 1977, with a 60 percent reduction in custom duties currently in effect. Therefore, U.S. investors engaged in joint ventures with Israel will benefit from duty-free access to many U.S. markets and to the EEC. In addition, if ratified by the U.S Senate, a treaty for the avoidance of double taxation on U.S. investments with Israel will take effect later this year.

American businessmen would be well advised to pursue sales opportunities in Israel's high technology market during 1976.

Already planned for the coming year are two Commerce Department-sponsored trade missions to Israel and Iran; one in October for electronic data processing; another, in December, on building and construction.

Several Israeli-sponsored exhibitions during 1976 (write Yerid Hamizrakh Exhibitions Co., Ltd., Tel Aviv 61210) include: ISPACK (food processing and packaging equipment, May); Modern Living (June); EXPOMEDICAL (medical, hospital supplies, September); and TIMPRINT (office equipment, printing, data processing, October).



ALGERIA

Trade Mission To U.S. Reflects Growing Ties

Algeria and the United States confirmed their positions as mutually important trading partners in 1975, and the outlook for expanded trade between the two is excellent. As evidence of Algeria's recognition of the United States' importance both as a market for Algerian products and as a source of needed capital equipment, technical know-how and foodstuffs, a high-level Algerian Government mission is expected to visit the United States later this month to discuss trade opportunities with U.S. businessmen.

In 1975, continues Laron Jensen of the Bureau of International Commerce, U.S. firms supplied about 12 percent of Algeria's estimated $5 billion import market, or some $600 million in U.S. goods. By contrast, U.S. imports from Algeria exceeded $1.5 billion in value, equal to almost one-third of total Algerian exports. Algeria is the third largest U.S. source of hydrocarbons in the Near East/North Africa area. Major U.S. exports to Algeria include oilfield, construction, mining and materials handling equipment, transport and telecommunications equipment, and cereals.

Trade statistics explain only part of total U.S. business interest in Algeria, since many U.S. firms supply Algeria with expertise, not products, and earn handsome consultancy awards for their efforts. Some 70 U.S. firms currently have offices in Algeria, including advisory and technical training concerns and joint ventures with Algerian state enterprises. Dozens of American companies are negotiating with the Algerian Government on major projects worth over $5 billion.

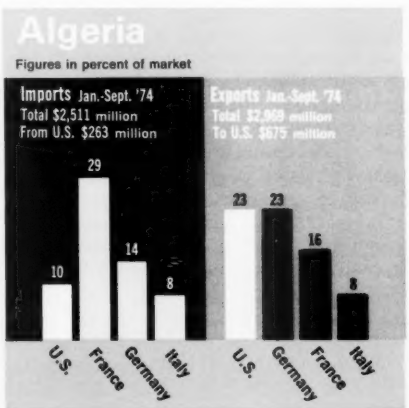
Though reliable Algerian economic statistics are difficult to obtain and are often outdated, GNP, estimated at $12 billion in 1974, probably increased last year at a real rate approximating the 7 percent achieved annually in recent years. Algeria's balance of payments for 1975, projected by some sources to be in deficit because of heavy government spending programs, may have achieved equilibrium thanks to $500 million in Eurodollar loans and other Arab capital secured last year. Algeria maintains a good rating among international credit markets and probably could borrow additional large sums if it wished.

However, there are fiscal clouds on Algeria's horizon, which encourage speculation as to Algeria's ability to finance its $27 billion 1974-1977 Development Plan. Until major new gas liquefaction plants become operational in 1977-1978, export earnings hinge upon petroleum production, which is declining. Thus, foreign exchange revenues are not expected to grow markedly for at least two years. Algerian officials insist that spending plans will not be cut back, and therefore, supplier financing packages become all the more important for Algerian projects.

Last year was important for Algeria in several respects. Aside from the record level of imports and significant foreign capital borrowings, several important projects were completed (a satellite ground station, a wine pipeline, sports and hotel facilities in Algiers) and numerous contracts were awarded to U.S. and European firms for gas treatment facilities, a salt refining plant, steel rolling mill, and factories to produce electric motors, paint, detergents, packaged food and textiles. Long-term natural gas supply contracts were signed with Belgian, Spanish and four U.S. firms. If the U.S. contracts are approved by the U.S. Federal Power Commission, eventual U.S. imports of Algerian liquefied natural gas (LNG) would exceed three billion cubic feet daily.

In 1976, a fourth natural gas processing line at the Skikda LNG complex is expected to open. Also this year, Algeria may complete negotiations for a limited association agreement with the European Community. Government spending in 1976 is expected to be in the $6 billion range, of which about one-third is for imported capital equipment.

The Algerian trade mission visiting the United States this month results from a visit to Algeria last October by Deputy Assistant Secretary for International Commerce Charles W. Hostler, at the invitation of Algeria's Commerce Minister Layachi Yaker. At that meeting, both parties reviewed U.S.-Algerian trade relations and discussed ways of increasing bilateral trade. Minister Yaker affirmed Algeria's desire for more U.S. business activity in Algeria so as to reduce the nearly $1 billion U.S. trade deficit with his country. U.S. business persons who wish to meet with members of the Algerian mission should call 202-967-3265.



EGYPT

Imports From U.S. Break All Records

Last year was another outstanding year for U.S. exports to the Arab Republic of Egypt. The estimated $800 million worth of goods represents almost a second consecutive doubling of Egyptian imports from the United States. Large amounts of feedgrains, oils and fats, construction and mining machinery, transportation equipment, and spare parts are arriving from the United States, according to John T. Haldane of the Bureau of International Commerce.

With a population approaching 38 million, the largest by far of all Arab states, Egypt requires a record amount of food imports. It also imports large quantities of industrial goods to revitalize its industrial sector and to modernize the economic infrastructure. Assisting in this is sizable financial aid from friendly Arab neighbors, such as Saudi Arabia and Kuwait, and from Iran. An estimated $1 billion is expected to become available from these sources in 1976. Economic assistance also is expected from the United States and other countries.

The Egyptians will be putting this to good use, with help also from the World Bank, which has provided loans for the telecommunications, railway, cement, as well as fertilizer sectors of the economy.

Other priority projects are the rehabilitation of the Suez Canal area, the expansion of public facilities in urban areas, and a large public housing program. Studies also are under way of means to develop the western coastal region between Alexandria and Libya as well as the Sinai peninsula.

The Egyptian economy received two major boosts during 1975: the June reopening of the Suez Canal and the reoccupation of the Sinai oilfields. The Canal has earned Egypt $72 million in dues with a daily average of 36 vessels transiting. Tolls are expected to surpass the previous annual income of $250 million and may reach as much as $450 million. With the Sinai fields back in Egyptian hands to complement the 200,000 to 220,000 barrels per day already being produced, the Egyptian Government predicts that as much as 7 million tons of oil can be exported annually. And with 27 separate prospecting and potential production sharing agreements in force with foreign companies, Egyptian oil officials are optimistic that oil production can be boosted significantly by 1980.

Following through on the promises of

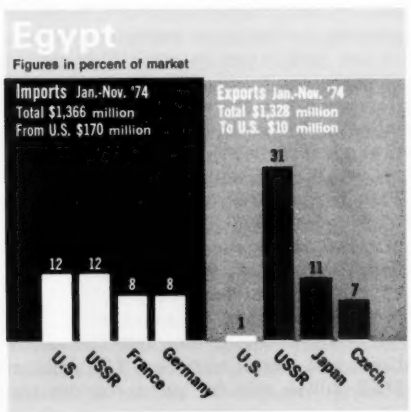
President Sadat's "open door" economic policy, new regulations allow the private sector to import or export all but a small number of restricted commodities. Commercial documentation submitted by private sector firms for valuation and duty assessment on imports is to be treated equally with that for public sector imports. Private sector goods will be released immediately upon deposit of the estimated duty, a system which is expected to be of great help to private sector importers.

Another step toward a more liberalized economy was abolishing the government's General Organization economic holding companies, which had closely regulated the state-owned industrial companies. The approximately 130 state companies, representing 65 percent of the country's public sector, have been given more autonomy and the way has been opened to competition. The new law permitting private firms and individuals to qualify as representatives and agents for foreign firms also has provided a commercial stimulus.

American banks are displaying increased interest. Offices, branches, or joint ventures have been established by Chase Manhattan, First National of Chicago, American Express International, Manufacturers Hanover Trust and First National City Bank. Several consulting firms, with long experience in Egypt and the Arab world, also have established their own companies in Cairo.

The Egypt-U.S. Business Council convened for the first time in Cairo in October. The meeting, organized by the U.S. Chamber of Commerce, served to identify barriers and problems currently impeding joint business development and placed an emphasis on the need for further Egyptian efforts to clarify foreign investment policy as outlined by Law Number 43 of 1974.

The United States will have a pavilion at the March 1976 Cairo International Fair; other promotions include several trade missions that are scheduled to visit Egypt during the year.



IRAN

Strong U.S. Position Holds In Key Market

Although recent months have seen a sharp economic slowdown in Iran, this market—the most attractive in the Middle East—continues to offer tremendous potential. U.S. merchandise exports rose dramatically from $1.7 billion in 1974 to well over $3 billion last year, and American exporters held their own against strong competition from Japanese and German firms. The United States is still Iran's No. 1 supplier, claiming better than a 20 percent share of a market Michel F. Smith of the Bureau of International Commerce predicts will grow to $40 billion by 1980.

Such predictions are based on a number of factors, including a population of 33 million, growing at an annual rate of more than 3 percent, and progressive leadership firmly committed to economic development, improved public health, education and training, social justice and a strong national defense. Iran's oil revenues, in the range of $20 billion a year, are enough to ensure continued rapid development.

However, Iran's economic boom over the past eight years has led to a number of problems, chief among them being inflation, which some observers put at more than 20 percent annually; crippling shortages of managers and trained workers, requiring increased reliance on foreign manpower; and an infrastructure inadequate in many key areas. There have been acute shortages of hotel rooms, housing, power and telephone service.

Perhaps the most serious bottlenecks are in transportation. There is a massive port pileup, and ships are subject to delays of as much as 140 days. Rail and highway rolling stock is in extremely short supply, and Iran, with U.S. help, has embarked upon a major road program.

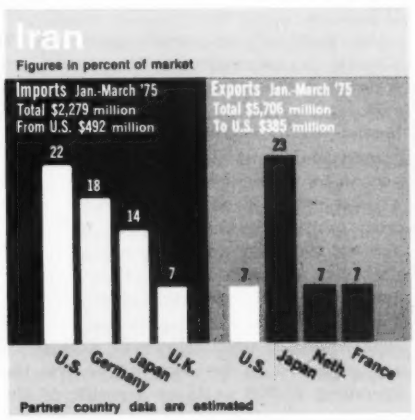
Business confidence has been adversely affected by a series of actions taken by the government in the past six months, in furtherance of the Shah's twin goals to broaden ownership of industry and to combat profiteering and corruption. The first calls for divestiture of 49 percent of the equity of 320 of the largest privately-owned industrial entities in Iran over a three-year period. The divested shares will be offered for sale at controlled prices to workers, farmers and the general public. Despite government assurances that the program envisages no changes in management control, uncertainty as to how the program will be administered has had a depressive effect on entrepreneurs.

In a related development, it was announced in October that foreign equity holdings in Iranian joint ventures would be subject to sectoral ceilings ranging from 15 to 25 percent, with a maximum of 35 percent being permitted in special cases involving high technology. The immediate effect of the new equity ceiling was to cool the interest of foreign manufacturers in Iranian joint ventures.

Iran's well-publicized crackdown on profiteers and illegal payoffs to secure government contracts has been generally well received. However, most merchants have reacted negatively to the sometimes arbitrary efforts by price control authorities to roll back retail prices or to set maximum profit margins for importers and wholesalers. The result appears to have been widespread curtailment or cancellation of orders during a period in which ground rules are being established. American firms seeking agents or distributors report a general reluctance on the part of Iranian importers to take on new business until the situation is clarified.

Faced with sluggish world demand for oil, which led to a 10 percent drop in Iranian oil production in 1975, the government last summer decided to reassess the country's priorities and to impose stricter budget discipline on all contracting agencies. As a result, many projects have been either shelved or cut drastically in scope. It is likely that the $69.6 billion Fifth Plan will be extended 12-18 months beyond its original termination date of March 20, 1978.

Business with the government will be increasingly affected by Iran's swing back to offshore credits. American firms or groups of firms that can offer some kind of financing will find Iranian authorities more receptive to their proposals. Licensing, royalty and technical service contracts will increasingly displace joint-venture equity as a channel for the transfer of technology. Successful sales in Iran in most instances will require careful attention to after-sales servicing and close supervision of distributors.



KUWAIT

Development Projects Offer Dynamic Market

U.S. exports to Kuwait reached a record level of $350 million in 1975 and, with the continued growth of Kuwait's total imports, may approach $500 million in 1976.

Demand should remain strong for U.S. transportation machinery, oil industry machinery and construction equipment. Other excellent trade prospects, according to S. Dickson Tenney of the Bureau of International Commerce, include building equipment and supplies, water treatment and power generation equipment, hospital equipment and medical supplies, special machinery for new industries, consumer durables, foods and tobacco.

The U.S. competitive position remains strong. Continued increase in U.S. exports is limited only by the size of the market, approximately one million people, and the relatively limited absorptive capacity of the country. Successful companies report the best way to secure contracts is through personal contact with Kuwaiti Government ministries and agencies, and, in most cases, association with an aggressive local agent. These contracts are essential since local sources often have only private notice of projects and tenders.

Kuwait's high per capita income is based on substantial oil revenues and returns on foreign investment. Oil revenue estimates for 1975/76 total $7 billion. A major portion is earmarked for development programs requiring equipment and technology imports. Surplus income will be invested in Europe and the United States and will be extended in loans and grants to Arab and African nations. Several of the proposed ventures in the less developed countries involve Kuwaiti money, U.S. technology and third-country labor and natural resources. These trilateral investment projects offer increasing opportunities for U.S. firms.

As part of its development effort, Kuwait is proceeding with several infrastructure projects. The Shuweikh cargo port will be expanded; additional berths will be added to the Shuaiba commercial port; roads will be built (some to be tendered this spring); and a power/water project is under consideration. The Kuwait Housing Authority expects to spend approximately $4 billion for housing construction through 1981. The Japanese have been awarded a majority of the contracts for the first 10,000 housing units. However, U.S. firms are expected to be competitive for the upcoming 25,000 units as a result of the anticipated shift from conventional construction methods to the systems approach.

In addition to housing construction, several U.S. hotel chains expect to expand or build new hotels in Kuwait, providing opportunities for U.S. construction firms and equipment suppliers. Finally, the Kuwait Ministry of Defense will be seeking international bids this spring for several military construction projects, including a $1 billion naval base.

Kuwait's industrialization program is concentrated in export and energy-oriented industries that are capital rather than labor intensive. The largest projects involve expansion of petroleum and petrochemical plant facilities at a cost exceeding $2 billion. Several U.S. firms have been awarded engineering, construction or equipment contracts for the Kuwait Gas Utilization Project, a major element of the overall plan, with further construction contracts to be tendered this year. The Kuwait Oil Co. also plans a $1 billion undertaking either to expand its present refinery or construct a new one. As these plants become operational the Kuwait Oil Tankers Co. and the Kuwait-based Arab Maritime Petroleum Transport Co. will be in the market for tankers.

To take advantage of stepped-up commercial activity, a number of States, including Mississippi and Iowa, have sent trade missions to Kuwait, assisted by the U.S. Department of Commerce. The State of Mississippi paid a second successful visit to Kuwait in October to promote Mississippi exports and encourage Kuwaiti investment in the State. The Iowa mission also reported excellent results; one member was negotiating the sale of equipment which could total between $3 and $5 million. Due to the large number of business visitors, anyone planning group business travel to Kuwait is urged to contact the Department of Commerce's Action Group for the Near East to avoid scheduling conflicts.

Kuwait

Comparable data not available for recent competitive market share comparisons; some major trading nations report the following totals on their exports to Kuwait:

U.S., Jan.-Oct. 1975, $290 million
Japan, Jan.-Sept. 1975, $250 million
U.K., Jan.-Oct. 1975, $188 million
Germany, Jan.-Sept. 1975, $157 million
Italy, Jan.-Aug. 1975, $84 million
France, Jan.-July 1975, $49.0 million

U.S. imports from Kuwait, Jan.-Oct. 1975, were $88 million.

SAUDI ARABIA

Huge Scope For U.S. Industry In New Plan

Saudi Arabia's enormous $142 billion economic development plan (1975-80) offers much potential business for U.S. architects, builders, manufacturers, service industries and joint venture investors, according to George T. Beck of the Bureau of International Commerce.

U.S. exports to that country were expected to double to approximately $1.5 billion dollars in 1975; our exports should expand to about $2 billion in 1976 if U.S. industry can rise to the challenge of the new Saudi plan. Although the United States probably supplied about 30 percent of the country's imports in 1975, competition is a serious factor. Japan's 1975 exports to Saudi Arabia will amount to about $1.2 billion and West Germany, France and the United Kingdom are now mounting strong offensives in that market.

Leading U.S. exports to Saudi Arabia in 1975 were foodstuffs, oilfield equipment, motor vehicles, aircraft, construction materials, power generating and distribution equipment and telecommunications hardware. Large gains in other fields such as furniture, scientific equipment and office and stationery supplies are indicative of the increasingly diversified requirements of this fast developing market.

Opportunities in the new Saudi Plan, now published in its entirety—available at $16.25 from NTIS, 5285 Port Royal Road, Springfield, Va. 22161 (publication no. PB 246572)—should be a bonzana for U.S. industry even after making allowances for many bottlenecks in the Saudi economy which may impede full implementation of anticipated economic goals. Two principal bottlenecks, which the plan seeks to alleviate, are inadequate port capacity and materials handling capability and manpower scarcity. A major business impediment for foreign bidders on construction work is the 10 percent performance guaranty which is almost prohibitive on some $100 million or more projects in Saudi Arabia. U.S. Government and private industry spokesmen are trying to overcome this hurdle through discussions with Saudi officials.

Overall construction activity under the Plan is estimated at $90 billion. Scheduled development expenditures in some principal economic sectors are ($billions): education, 21.1; heavy industry, 13; water and electricity, 11.5; health, 5; roads, ports and railroads, 6; housing, 4.4; civil aviation, 4.2; telecommunications and postal services, 1.2. Another $15.2 billion will be spent for develop-

Saudi Arabia

Comparable data not available for recent competitive market share comparisons; some major trading nations report the following totals on their exports to Saudi Arabia:

U.S., Jan.-Oct. 1975, $1,138 million
Japan, Jan.-Sept. 1975, $994 million
Germany, Jan.-Sept. 1975, $401 million
U.K., Jan.-Oct. 1975, $369 million
France, Jan.-July 1975, $109.7 million
Italy, Jan.-Aug. 1975, $167 million

U.S. imports from Saudi Arabia, Jan.-Oct. 1975, were $2,031 million.

ment of municipalities and defense expenditure will amount to $22.3 billion.

To cite a few targets, Saudi Arabia intends to build 270,000 new homes during the five year-period, increase the number of schools from 3,335 to 5,318 and the number of hospital beds from 4,100 to 11,400, lay down 8,500 miles of surfaced roads and string 2,000 miles of electric power transmission lines.

The Ministry of Industry and Electricity, newly reorganized in October when 12 new Ministers were added to form a 23-member Cabinet, will be in charge of the $13 billion heavy industry program. This program includes a huge contract awarded to the Fluor Corp. to construct natural gas facilities to be utilized as feedstock for industry, power generation and desalination.

Two new industrial areas are to be created. In Jubail, on the Eastern coast, three ethylene-based petrochemical plants, two oil refineries, a direct reduction steel mill and an aluminum smelter will be constructed. Nearby, three fertilizer plants will be built in Dammam. Connected to Jubail by a new pipeline, Yanbo, on the Red Sea, will be the site of another oil refinery and a petrochemical complex, as well as cement, automobile, and tire factories.

The scope for private foreign investment in Saudi Arabia is growing as the government encourages private sector development and is fomenting the establishment of medium-size capital and consumer goods industries. Many investment incentives are offered to encourage joint ventures, including generous financing terms for foreign partners. The government has eased visa regulations and now exempts non-Saudi employees from income tax liability. An Investment Guarantee Agreement encourages the needed input of technology through joint ventures.

The U.S.-Saudi Arabia Joint Commission for Economic Cooperation is now providing U.S. technical advisors to assist in solving development problems.

UNITED ARAB EMIRATES

Industrial Development Continues Unabated

The United Arab Emirates (UAE) will import almost $400 million from the United States in 1975 and their 1976 imports may exceed $500 million, according to S. Dickson Tenney of the Bureau of International Commerce. Since oil prices were quintupled in 1973-74, U.S. exports to the UAE have increased markedly from $121 million in 1973.

The UAE remains largely dependent upon the import of both technology and equipment to fulfill its large development programs. Products particularly in demand will be construction equipment, water pipelines and other water supply equipment, and power equipment ranging from generators to transformers and medium voltage cable. Other major trade prospects include medical and educational supplies, oilfield and mining equipment and materials, transportation equipment, hotel equipment, air conditioners, furniture, and foodstuffs.

The Emirate of Abu Dhabi has the largest oil reserves and ships more than 50 percent of the total UAE oil exports. From its oil earnings, it not only supports the Abu Dhabi internal budget but also finances the UAE federal budget and pays for many of the poorer Emirates' imports. Dubai, with possible earnings of $1 billion from oil revenue in 1976, and Sharjah, which exports smaller amounts of oil, buy most of their imports directly in the foreign market. The other four Emirates have little-to-no foreign exchange earnings. As a result of the oil price rise in late 1975 and the expanded overall usage of oil as the worldwide recession ends, the substantial UAE oil revenues will grow in 1976.

Shipments of U.S. products and services will grow in 1976 but exporters face strong competition from the United Kingdom, which is particularly well-entrenched in Dubai, and a highly competitive Japan. Commercial activities are concentrated in Abu Dhabi and Dubai, which has a booming entrepot trade and is a dominant commercial center in the Gulf. The UAE is becoming an important banking and transportation center. A number of U.S. and European banks have opened branches in one or more of the Emirates. Abu Dhabi continues to disburse large loans and grants to Arab and some African countries, often through these facilities.

The UAE faces a major shortage of all types of manpower, from trained administrators and entrepreneurs to skilled and semi-skilled labor, and has become largely dependent upon expatriate labor.

U.A.E.

Comparable data not available for recent competitive market share comparisons; some major trading nations report the following totals on their exports to the United Arab Emirates:

U.S., Jan.-Oct. 1975, $309 million
U.K., Jan.-Oct. 1975, $366 million (Abu Dhabi and Dubai only)
Japan, Jan.-Sept. 1975, $313 million
Germany, Jan.-Sept. 1975, $101 million (Abu Dhabi and Dubai only)
France, Jan.-July 1975, $67.8 million

U.S. imports from the UAE, Jan.-Oct. 1975, were $569 million.

In the commercial sphere the UAE recently restricted the expatriate's activities by prohibiting foreign exporters from entering agency/distributorships with a firm not majority owned by a UAE citizen and by restricting establishment of accounting offices unless the owner is Arab. Further actions have been proposed, including laws requiring that all commercial correspondence be written in Arabic and all products marketed in the UAE be labeled in Arabic.

Although there is a market for consumer goods from the well-to-do residents of the country, the UAE's principal concern now is the modernization of its infrastructure and industrialization of the country. Favorable business prospects, particularly for U.S. engineering and construction firms, can be found. Arthur D. Little of the United States is the overall consultant on the most ambitious project in Abu Dhabi: a $2 billion petrochemical complex and industrial center in Jebel Dhanna/Ruweis. Other projects under discussion include a steel mill and fertilizer plant. Abu Dhabi also is trying to diversify its industrial base from full dependence on oil, and projects under study or due to be tendered soon include a building materials plant, a soap factory, a sulfuric acid plant, and auto tire and asbestos tube factories.

Tenders will be invited shortly for its much delayed civil airport project and Abu Dhabi continues to expand its port and roads. It also has revised its power and water supply projects. Tenders for projects and products, possibly exceeding $400 million, will be publicized this year.

Dubai also proposes to increase its electrical capacity and has announced plans to expand Port Rashid. Construction of another port at its new industrial site, Jebel Ali, is under consideration. Dubai has begun building an aluminum smelter there and contemplates locating an electric power generating plant, a liquefied petroleum gas recovery system, and in the future, a steel mill and refinery at the site.

IRAQ

U.S. Role In Market Is Bound To Expand

U.S. exports to Iraq grew significantly in 1975 even though at a rather disappointing rate considering that Iraq's heavy investment spending now makes it one of the five largest Arab import markets, according to George T. Beck of the Bureau of International Commerce.

Recorded U.S. exports rose only to approximately $300 million from $285 million in 1974. However, the U.S. trade role was actually larger owing to another $200 million in sales of wide-bodied aircraft promised for delivery in 1976 and 1977 and deliveries of U.S. equipment to Iraq from U.S. firms' overseas affiliates.

U.S. direct exports to Iraq should expand minimally to $450 million in 1976 (including $100 million in delivery of aircraft) despite intensive foreign competition. With 11 million consumers and annual oil revenues estimated at $7 to $9 billion over the next several years, Iraq has a large absorptive capacity. Iraq's determination to spend all its income to realize its promising agricultural potential and to create a more diversified industrial economy led to imports of about $5 billion in 1975. This hectic development spending may be slowed only by practical inability to carry out more than 100 major projects simultaneously.

Iraq awarded $3.5 billion in major new project contracts to foreign companies in 1975 in agri-industry, heavy industry, light manufacturing and mining. Iraq's new Five-Year Plan (1976-80), which provides $33 billion for expenditures on economic and social development, will offer great opportunities.

Large expenditures are scheduled in such fields as: irrigation, flood control and electrical power generation; livestock production (cattle and poultry); rural and urban electrification; desert reclamation; grain storage; petrochemicals; heavy industry (iron, steel, aluminum); and other industries (food, cement, construction materials, fertilizer, pharmaceuticals, auto assembly, and agricultural machinery).

There are major projects for rehabilitating river transport through extensive dredging, for railway expansion and for a rapid transit system for Baghdad. Road construction will be heavy and large sums are to be spent for auto and truck assembly plants. Large outlays will be made for health and social welfare, for manpower development, for new hospitals, schools and a university of technology and for rural and urban housing.

Development of a broader based U.S. participation in Iraq's import and construction programs has been impeded so far by the large number of major contracts awarded to suppliers and contractors of France, Italy, Spain, Yugoslavia, Japan, the USSR and Eastern European countries under special bilateral arrangements. Optimism regarding a greater U.S. role in Iraq, beginning in 1976, is based partly on the consideration that given the enormous scope of the Iraqi Plan and the economic over-commitment of some of the country's bilateral trading partners, Iraq must inevitably turn increasingly to U.S. companies for equipment, machinery and construction expertise.

Iraq

Comparable data not available for recent competitive market share comparisons; some major trading nations report the following totals on their exports to Iraq:

U.S., Jan.-Oct. 1975, $253 million
Germany, Jan.-Sept. 1975, $836 million
Japan, Jan.-Sept. 1975, $611 million
U.K., Jan.-Oct. 1975, $257 million
France, Jan.-July 1975, $246.5 million
Italy, Jan.-Aug. 1975, $182 million

U.S. imports from Iraq, Jan.-Oct. 1975, were $13 million.

LIBYAN ARAB REPUBLIC

Agriculture, Industry Offer Opportunities

Continued rapid and diversified growth of the Libyan Arab Republic economy offers sales and contracting opportunities in all sectors, according to Laron Jensen of the Bureau of International Commerce. In 1975, U.S. exports were expected to reach an all-time high of $230 million.

The country has resumed its position as an important Arab oil supplier to the United States, with U.S. purchases (mainly oil) totaling $977 million through November.

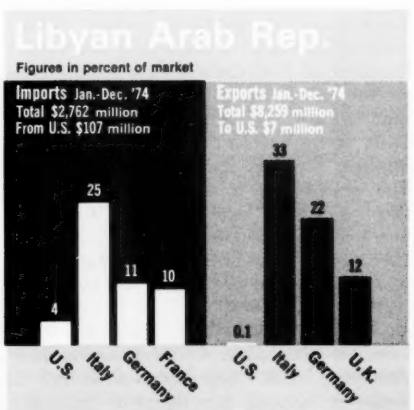
Crude petroleum is the chief export and principal contributor to Libyan GNP, estimated at $11 billion for 1974 (latest data available), or $4,950 per capita. Oil production ranged from 1 to 2 million barrels per day in 1975. Other sectors, however, are increasing their share of GNP and now represent nearly 50 percent of the total. Foreign exchange reserves were $2.6 billion in mid-1975.

Recognizing the importance of a diversified economy, the government stressed agriculture and non-oil industry in the just-completed 1972-1975 Plan period, in which investments exceeded $8 billion. Some 26 agricultural projects are under way, requiring irrigation, storage facilities, mechanized equipment, imported livestock and housing. In industry, food processing, building materials and mechanical/electrical branches have received heaviest investments to date. Housing, education and health are also stressed as the country pursues its goal of eradicating illiteracy by 1980 and providing a proper house for every family by 1982.

The 1976-1980 Five-Year Development Plan is expected to continue this momentum. Preliminary reports indicate that investments will exceed $23 billion over this period, including $5.6 billion for industry, mines and hydrocarbons, aiming at a 25 percent annual growth rate; $2.6 billion each for agricultural development and for housing, including three prefabricated manufacturing plants and 70,000 new housing units; $2.1 billion for communications and transport; and $1.7 billion each for education, electricity, and for development of municipalities. Industrial projects include a $1 billion iron and steel complex at Misurata, including power and desalination plants, housing and port facilities; $152 million for food processing plants; and $74 million for eight textile mills.

Best sales prospects include agricultural equipment and services; motor vehicles; transport, communications, construction, health care, educational and laboratory equipment; building materials; and power generating systems.

Last September, government authorities issued several laws to bring about tighter state control over the economy, including one which reorganizes an estimated 65 percent of importers by requiring Libyan contractors to offer 75 percent ownership to the public or government. Details on the new laws are available from Commerce Action Group for the Near East, U.S. Department of Commerce, Washington, D.C. 20230.



MOROCCO

High Local Interest Seen In U.S. Equipment

U.S. sales to Morocco will show only modest growth this year unless American exporters give more than average attention to the increasing variety and value of sales opportunities and high Moroccan interest in U.S. equipment.

The Moroccan economy confronted both domestic and external challenges in 1975. Revenues from phosphate exports, the country's largest source of foreign exchange, declined 37 percent, Claude L. Clement of the Bureau of International Commerce points out, and substantial grain imports continued to compensate for poor domestic harvests. The fiscal consequences are reflected in Moroccan trade figures: in 1974 exports almost doubled to $1.8 billion and imports rose 77 percent to $2 billion, but during the first seven months of 1975 exports rose less than 2 percent while imports increased over 43 percent.

Last year's resulting trade deficit, estimated at $530 million, has been partially offset by several factors: a $200 million Eurodollar loan; a dramatic 75 percent increase in government investment combined with a 40 percent rise in tourist receipts during the first half of 1975; and a slowdown in inflation during 1975 to 12 percent against 16 percent in 1974.

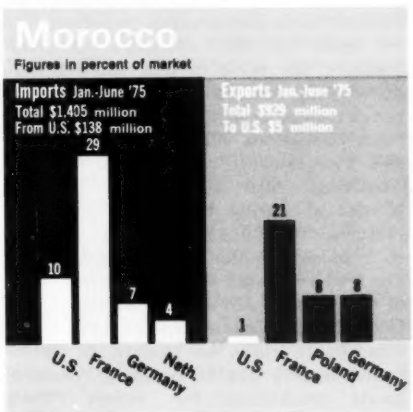
The major reason, however, that Morocco's industrialization program will stay on track this year is the substantial increase in government investment spending in key areas including: $1.1 billion for agricultural development, such as water-works and irrigation; new industrial investment totaling $900 million; $200 million toward mines, petroleum exploration and oil shale development; $200 million for energy; $37 million for fishing and $21 million for shipping; $27 million for tourism; $80 million for construction and housing; $180 million for highway, railroad, and port development. In addition, $104 million is slated for harbor equipment and $25 million for airport facilities.

Morocco is thus moving ahead with major projects which offer significant supply opportunities. For additional information on projects under consideration, as well as for tips on marketing in Morocco, see the outlook article on page 24 of the Jan. 5 *Commerce America* by U.S. Ambassador Robert G. Neumann.

Long-term prospects for the Moroccan economy are sound due to its strong agricultural and natural resource endowments, and an already extensive infrastructure. Last year's GNP of $6.9 billion (estimated) will rise approximately 10 percent in 1976 due to the magnitude of government spending for machinery, infrastructure, and plant construction and expansion.

Commerce-sponsored trade promotion events in Morocco this year include a technical sales seminar on agricultural land development and a trade mission on materials handling equipment.

Principal U.S. exports to Morocco include cereals, other agricultural products, construction and mining machinery, vehicles, and raw cotton.



TUNISIA

Market For U.S. Goods Is Potentially Strong

Tunisia represents a potentially strong market for U.S. goods and services, although in 1975 U.S.-Tunisian trade registered only modest growth.

Gross domestic product (GDP), estimated at $4.4 billion in 1975 (a 10 percent real increase), is expected to grow about 11 percent in 1976. As Tunisia moves into the final year of its 1973-76 Development Plan period, $1.3 billion, or 28 percent of projected 1976 GDP, is for investment.

Imports, which have increased 43 percent at an average annual rate since 1972, totaled $1.1 billion in 1974 and $940 million for the first 8 months of 1975. In 1975 over half of imports from the U.S. were agricultural commodities and the remainder a wide variety of manufactures: construction, mining, transport and communications equipment. The U.S. share, 8 percent in 1974, is declining in the face of traditional habits of Tunisian buyers who look to known suppliers in Europe, and tough European competition.

Tunisia's government is making efforts, including simplified import documentation, to encourage importers to buy from other than traditional European sources. Tunisian private and public buyers prefer local representation by foreign suppliers, and increasingly dislike the practice of many U.S. firms which market in Tunisia through European distributors who tack on high markups. Government regulations make it simpler and cheaper to buy spare parts invoiced and imported directly from manufacturers.

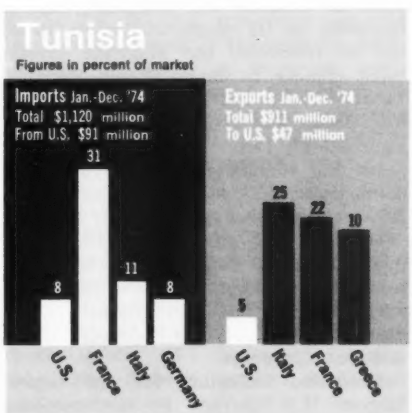
Last year was not a good one for Tunisian exports, based on trade statistics for the first 8 months which show an 11 percent drop compared to the same period the preceding year. While petroleum production is increasing, phosphate products encountered sales problems because of high prices prevailing through much of 1975, which also caused fertilizer exporters to curtail production. Olive oil, the main agricultural export, was banned from Italy (Tunisia's largest market) for several months and prevailing high world prices reduced consumer demand, despite an above-average Tunisian olive harvest, and intensified Tunisian marketing efforts in the U.S. and elsewhere.

A new Development Plan for 1977-81 is being drafted. Total planned private and public investments in Tunisia will exceed $6 billion for this period, double the investments for 1973-76.

Tunisia's balance of trade in 1976 is expected to register a deficit of $600 million, slightly up from 1975. The basic balance of payments is, however, buoyed by increasingly significant tourism revenues (expected to increase 15 percent in 1976 to $368 million) and remittances by Tunisian workers abroad. Tunisia estimates that foreign exchange reserves in 1976 will average about $400 million.

The U.S.-Tunisia Joint Commission held its first substantive meeting in Tunis last October. Working groups are being formed to study alleviation of existing constraints on trade and to disseminate information on triangular investment projects in Tunisia. The latter include fertilizer, petrochemical, synthetic fiber, tin-plate and machine tool projects.

Limited information on these projects is available from CAGNE, U.S. Department of Commerce, Washington, D.C. 20230.



PACE OF RECOVERY IS SLOW IN FAR EAST-SOUTH ASIA AREA

U.S. Exports Are Likely To Exceed $24 Billion

For most of the countries of the Far East and South Asia region, which includes nations in every stage of economic development, the outlook is for a slightly better showing in 1976, according to Ann P. Brosnan of the Bureau of International Commerce.

The pace of economic development is expected to continue at a slower rate than earlier in the decade. Available data, however, indicate that overall U.S. exports should exceed $24 billion, or close to about a 9 percent increase in value terms over 1975. Inflation is likely to continue at this rate or higher.

With the significant exception of Indonesia, which is a major oil producer and exporter, most of the region's countries have suffered from the sharp increases in the world price of petroleum. Their balance of payments prospects diminished again in late September when the members of OPEC agreed upon an additional 10 percent increase in the export price of oil. Most countries in the area are years away from substantially reducing their dependence on imported petroleum by developing their own energy resources.

Japan still major market

Japan remains America's major overseas market. U.S. sales to the northeast Asian island nation are projected at $11.2 billion in 1976, a 12 percent increase over last year. However, exports to Japan declined in 1975 even in value terms, and the real amount of the country's purchases from the United States this year is unlikely to equal the 1974 record. While Japan's recovery from the recession has been slower than planned, the rate of economic growth is expected to pick up gradually after mid-1976. If demand for Japanese exports increases as its major customers move out of recession, the stagnant investment climate in Japan should improve. Inflation has moderated and monetary and fiscal policies have been eased to some extent.

As the Japanese economy recovers, demands for U.S. agricultural and industrial raw material products on which it depends should strengthen. Other U.S. products should benefit from the recent relaxation of import quotas. The more favorable 1976 balance of payments forecast should also boost prospects for American products.

Economic indicators for the second largest U.S. market in the region—Australia—also are mixed. Balance of payments difficulties, rapid inflation and rising unemployment continue. The rates of increase in both wages and prices have slackened, however, and industrial production and volume of retail sales recently have shown slight improvements. In spite of the country's economic troubles, the value of U.S. exports went up slightly during 1975, influenced by heavier shipments toward the end of the year. U.S. goods will be less competitive this year because of devaluation of the Australian dollar, but other factors point toward a healthy U.S. sales increase.

Korea, Taiwan and Singapore continue to represent billion dollar markets and are leaders among the emerging markets of the region. Along with Indonesia and Hong Kong, these economies have shown remarkable rates of growth in recent years, largely due to booming consumer goods production for export. These countries are expected to continue their recovery this year. Although plagued by a rate of inflation exceeding 25 percent, the South Korean economy may have grown by nearly 8 percent in 1975. The government hopes to slightly better this rate in 1976. South Korean purchases from the United States, about $1.7 billion in 1975, are forecast to decline, due to a reduction in demand for imported foodgrain. In Taiwan, where exports amount to 40-50 percent of GNP, recovery has been under way since mid-1975 and should continue at a healthy pace assuming the world economic outlook remains reasonably bright. U.S. exports to the Republic of China in 1976 are expected to increase as demand rises for raw materials and capital equipment.

In Singapore the service economy is much more important than in Hong Kong, and the island state is less vulnerable to volatile world demand for consumer goods. Nevertheless, growth slowed along with most of the rest of the world. Imports from the U.S. remained reasonably strong, and are believed to have passed the $1 billion mark during 1975. The U.S. Regional Trade Center in Singapore serves both the island's growing market and importers in other nearby countries. Singapore's central location and favorable investment climate have made the city an attractive location for a rising number of American and other firms to establish regional headquarters.

The about 50 percent growth in American exports to Indonesia during 1975, one of the highest rates in the region, is expected to continue in 1976 though at a reduced pace. Gold and foreign exchange reserves have declined, but improvement in the balance of payments is expected in 1976. U.S. exports to Indonesia are forecast to exceed $1 billion in 1976 due to a high level of Eximbank lending, continued expenditures by U.S. oil companies in Indonesia, and the ability of U.S. exporters to compete for purchases financed through Indonesia's own exchange earnings or loans from non-U.S. sources.

Hong Kong has been particularly hurt by the world economic slump because of its dearth of natural resources and consequent heavy reliance on the export sector. A turnaround in the colony's stagnant economic situation was indicated in September when exports increased sharply. A substantial increase is predicted in imports from the United States this year, reversing the 1975 falloff.

The Philippine economy is performing reasonably well, with 1975 GNP growth estimated at 5 percent. The large trade deficit remains a problem. U.S. exports to the Philippines are rising at a steady but unspectacular pace.

Because of a sharp decrease in the American presence and the unsettled political situation, Thailand's imports from the United States are not expected to increase appreciably this year. However, the economy has performed well in recent years, and, assuming conditions remain peaceful, the long-range outlook is for a growing market and resumed economic growth. U.S. suppliers of agribusiness, food processing, construction and other plant equipment, and educational and medical supplies should do well.

Oil price effect

The low per capita income countries of the Indian Subcontinent have been seriously affected by the multiple increase in the price of oil. The economy of Pakistan has performed best during the recent past, with about a 6 percent growth in 1975 and good prospects of maintaining expansion at this level during 1976. U.S. exports are expected to show a substantial increase this year, mainly due to liberalization of controls over the sale of military equipment.

India and Bangladesh have suffered badly in the past because of poor harvests, but agricultural production improved during 1975. With increased domestic demand, both countries should show a much needed increase in economic growth rate in 1976. The forecast this year for exports to India, the largest market for U.S. goods in the Subcontinent, is for a reduction to about the $1 billion level.

Smaller markets in the region, including New Zealand, will help to raise 1976 U.S. exports to the Far East and South Asia to an estimated $24.3 billion.

JAPAN

Recession Continues; Recovery Expected In '76

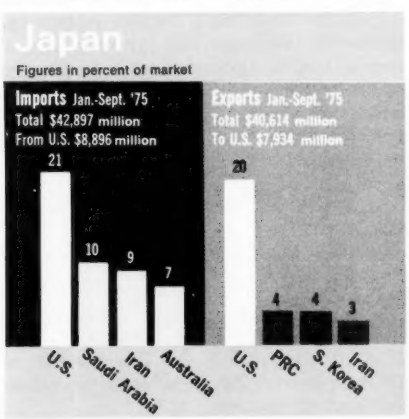
Japan's hoped-for economic recovery has not taken place, but an upturn is expected in 1976, T. A. Miyakawa of the Bureau of International Commerce reports.

Personal consumption expenditures remain stagnant, private plant and equipment investments dull, unemployment the highest in 17 years, and exports and imports for 1975, on a customs clearance basis, down compared with 1974. Under these conditions, government economic priority could favor economic stimulation over holding down inflation. Prospects for any significantly expanded U.S. exports to Japan under these circumstances are questionable.

U.S. exports to Japan, which benefited earlier from strong Japanese demand, favorable effects of exchange realignments, rising affluence, and growing shortages of industrial and consumer products, continue to face a stagnant economy struggling to overcome a stubborn recession. Barring an unforeseen quick recovery, it may be difficult for 1976 U.S. exports to exceed substantially the estimated $10 billion exported last year.

The timing and speed of Japan's recovery remain unclear. As existing policies have not revived the economy and with final demand remaining weak, there is little incentive to initiate new investment in plant and equipment. It appears that the prolonged recession has removed the enthusiasm for new capital expenditures so characteristic of Japanese industrialists.

Inflation is moderating, monetary and fiscal restrictions are easing, but bankruptcies and the increasing non-competitiveness of Japanese goods in world markets continue to plague Japanese businessmen. Economic prospects under these conditions are for a gradual recovery beginning sometime after mid-1976, avoiding new inflationary pressures and leading to moderate growth.



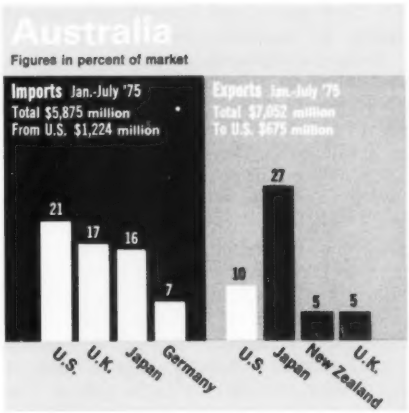
Real GNP suffered a 0.6 percent decrease to $300 billion in FY 74, the first post-World War II real growth reversal. Nominal growth, by contrast, increased 17.5 percent to $453.3 billion. Private forecasters' real growth for FY 75 revolve around 2 percent, a figure considerably below the Ministry of International Trade and Industry's (MITI) earlier forecast of 4.3 percent, subsequently lowered by MITI to 2.2 percent. Forecasts for the coming fiscal year are in the range of 4 to 6 percent real growth, a rate which may be difficult to achieve without the combination of massive government stimulation, stable oil prices, and worldwide economic recovery.

Last year, U.S. exports accounted for about 21 percent of total Japanese imports. Prospects for this share to increase are not encouraging, especially as the cost of imported oil continues to rise relative to the imports of other products. The cost for crude (c.i.f.) from all sources through October 1975 was $16.1 billion, up from $15.5 billion for the same period of 1974. Total imports, for the same period, by contrast, fell almost 6 percent.

These somewhat negative aspects should not dampen good U.S. sales prospects in such lines as computers, peripherals, and data communications equipment; process control equipment; analytical instruments; testing/measuring equipment for the electronic industry; electronic computer software; biomedical equipment; hydraulic equipment and components; automotive parts and accessories for the original equipment manufacturers; mechanical handling equipment; and building systems and materials. Additionally, demand for high quality consumer goods will improve as the Japanese economy revives and personal consumption expenditures once again advance.

Of major interest was the Dec. 24 removal from the import quota list of digital computers, peripherals, equipment, and parts and accessories for digital computers. In addition, foreign capital investment in production, sales, and leasing of computers, peripherals, and terminal equipment was opened on Dec. 1 to 100 percent foreign ownership. The data processing industry, including software, is scheduled for full liberalization in April.

Promotional events in 1976 at the Trade Center include noise and vibration abatement equipment; COMPUTER '76; industrial process control instrumentation; toys and games/hobbies and handicrafts; nuclear instruments and accessories; electronic components and materials; do-it-yourself; and lasers and electro-optical equipment.



AUSTRALIA

Good Prospects Seen For Expanding Market

Although the recession in the Australian economy continues, there are tentative indications of an easing in the coming year. U.S. exports have been holding their own, and the long run presents good prospects for an expanding market, Nancy Keely of the Bureau of International Commerce points out.

The economic downturn, brought about by such conditions as balance of payments difficulties, chronic inflation and mounting unemployment, has presented problems since mid-1974. Nonetheless, a slight improvement has been noted in the rate of industrial production and the volume of retail sales. There has also been a slowing in the rates of increase both for prices and for wages, crucial elements in restoring business confidence.

Despite Australian import restraints imposed during the second half of FY 75, the value of U.S. exports held up remarkably well, increasing 17.3 percent over the preceding year. Demand for U.S. exports should continue strong in the coming months even though appreciation of the U.S. dollar is somewhat lessening the competitiveness of U.S. exports. Additionally, as stocks of imported goods shrink, the trend toward restricting imports has eased. Requests for protection have declined, and an increasing number of requests already received are being denied.

Inflation continues as a major problem. During FY 75, the consumer price index increased by 17 percent. The rate of increase declined during the latter part of the year, and the FY 76 budget projection indicated a decelerated rate of increase in the CPI during the coming year. Gross domestic product, in current prices, amounted to A$58.4 billion for

FY 75, a loss of 1.8 percent, in constant prices, as compared with FY 74.

Australia's balance of payments deficit of US$620 million, as of the end of FY 75, represented a decided year's improvement. As the trade surplus is expected to continue and there are no indications of an adverse trend regarding inflows of capital, balance-of-payment considerations are not expected to constrain Australia's economic policy. Reserves of gold and foreign exchange totaled US$4.7 billion at the end of the fiscal year.

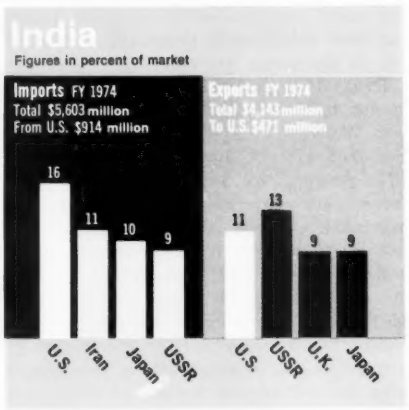
A comprehensive new policy statement concerning foreign investment was issued in September. Notably, the statement moderated the former rather hard line regarding development of mineral resources. New projects (other than uranium) may have up to 50 percent foreign ownership or voting control. There is a continued general intent to deter foreign investment in real estate, insurance, and the non-banking financial sector.

The policy, which still provides for individual review of all proposals and for wide discretionary powers, can be generally regarded as a favorable development, more affirmative in recognition of the role of foreign investment than many earlier statements, and more precise in defining some important standards.

December saw a decisive electoral victory for the Liberal/National Country Party Coalition. However, in the foreseeable future there may be no significant change in such basic concepts as requiring foreign companies to grant greater equity to local interests and to disclose more financial information to the Australian public.

The United States is Australia's leading supplier, and in FY 1975 scored a 17.3 percent increase over the preceding year. Sales of the following products did exceptionally well and are expected to continue strong: non-electric machinery, electrical machinery and appliances, chemical elements and compounds, professional and scientific instruments. The United States is also a leading supplier of transport equipment. Relative to the increase in Australian capital investment during coming months, there should be opportunities for U.S. exports of metal finishing equipment and machine tools, and business machines of all kinds. There should be a strong demand for labor-saving machinery as Australian firms seek to offset rising labor costs. The revival in retail sales may also provide increased demand for highly favored U.S. household consumer goods, and sporting and leisure-time equipment.

The U.S. Trade Center in Sydney is mounting the following shows this year: telecommunications, April 5-9; pollution control, May 31-June 4; automotive maintenance supply, June 21-25; and security and safety, Sept. 7-10.



INDIA

Economy Seen Improving Though Problems Persist

Because of favorable weather conditions which resulted in near record agricultural production during 1975, there is broad-based optimism that the Indian economy is out of the doldrums and will resume moderate economic growth in 1976. India's total imports were about $6 billion last year, and are expected to remain at about the same level in 1976, Monroe Aderhold of the Bureau of International Commerce reports.

Although balance of payments and other economic problems persist, India is and will probably remain a major Asian trading partner for the United States. Essential imports such as petroleum products, foodgrains, fertilizer and agricultural supplies comprise approximately 60 percent of U.S. exports to India. This trade pattern is expected to continue through 1976.

In addition, India will be a good market for other high priority imports such as specialized machinery, raw materials and operating supplies required for production of Indian exports, development of iron ore and other mineral resources, construction of facilities to exploit substantial offshore oil fields which were recently discovered, large thermal power generation equipment, telecommunication and electronic equipment and improved transportation facilities.

The inflation - recession phenomena which India faced during 1974 and early 1975 has been resolved for the most part through strict monetary and fiscal policies. GNP estimates, at current prices, increased from $89 billion in 1974 to $95 billion in 1975 and will reach $102 billion during 1976. The real GNP growth rate will be an estimated 4 percent in 1976. Spiraling inflation, which reached a 30 percent annual rate in 1974, has been checked and will be an estimated 4 percent during 1976. Gross foreign exchange reserves are estimated at $1.5 billion. A chronic trade deficit, estimated at $1.6 billion for 1976, will be offset by approximately $2 billion in aid disbursements, and commitments from the World Bank and individual countries which are committed to India's development.

Although the industrial sector presents a mixed picture, Indian businessmen appear generally pleased with the current economic and political climate. There is labor peace and discipline which has resulted in higher productivity and efficiency in both the private and public sectors; decisions by government which affect business are being made promptly; there has been some relaxation of controls over industry and liberalization of import/export licensing procedures to stimulate domestic production and provide support for an export promotion drive.

In the heavy industrial sector there is an upward trend in the production of steel, coal, aluminum and cement. Sufficient rain, along with increased coal production and improved efficiency in the railway transportation system, has substantially increased the availability of electric power.

Prospects for the textile industry, private housing construction and manufacture of luxury items and consumer durables are less favorable due to tight credit policies and the government's crack-down on "black" money transactions. For the first time in many years, many businessmen in India are facing a buyers' market. This situation is expected to change as current inventories dwindle and personal incomes in the rural areas go up because of bumper crop harvests.

Indian foreign trade policies are designed to restrict nonessential imports and promote export sales. Import licenses are generally denied for products manufactured locally but preferential consideration is given to exporting manufacturers. In addition, the government provides numerous cash and fiscal incentives to exporters.

Policies concerning foreign equity investments, royalties and licensing agreements remain selective and restrictive but offer good opportunities to U.S. firms which are recognized leaders in their respective fields.

Authorities process applications involving foreign investments and collaborations more rapidly than in the past, and are flexible in applying regulations if the proposal involves a level of technology required for India's economic development strategy or export promotion objectives. During the Indian fiscal year April 1974 to March 1975, the Government of India approved 299 joint ventures which included 63 involving U.S. firms.

TAIWAN

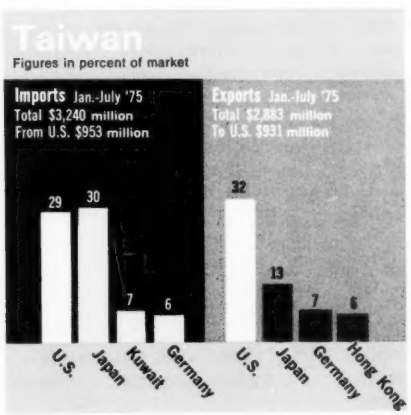
Expected Resurgence Is Good News For U.S.

The expected gradual resurgence of the Taiwan economy in 1976, following its slump in 1974 and the first part of 1975 due to the global recession, should provide additional stimulus to growing imports of American raw materials, industrial supplies, and machinery and equipment.

Subject to unforeseen adverse developments in Taiwan's export markets this year, the economy of the Republic of China is expected by Margaret A. Kelleher of the Bureau of International Commerce to approach full recovery around the end of 1976. By that time domestic manufacturers should be producing at near-capacity levels. Improved capacity utilization in the major industries will result in increased import orders. Imports of raw materials and capital equipment which the United States is in a position to supply should resume their pre-recession rapid expansion.

Taiwan's imports were down 16 percent in the first 11 months of 1975 from the same period in 1974. U.S. sales to the Republic of China, however, remained strong, up 16 percent in this period. Continued government efforts to reduce the sizable 1974 trade deficit with Japan should further strengthen the American export position this year. Reaffirmation of Taiwan's "buy American" policy should enable the United States to maintain its larger market share. In 1974 the U.S. share was 24 percent. In the period January-July 1975 the American market share increased to 29 percent.

Gradually improving export performance in mid-1975, as the recession began to subside around the world, resulted in higher production levels. The upturn in both manufacturing and construction in the second quarter continued throughout the year. The average index of industrial production inched upward through November, 3.5 percent over the same period in 1974. Growth in GNP, which was negligible in 1974, is reported at 2.8 percent in 1975. Growth in the next few years, beginning with 6 percent this year, is forecast at about 7.5 percent annually, as the economy resumes its growth.

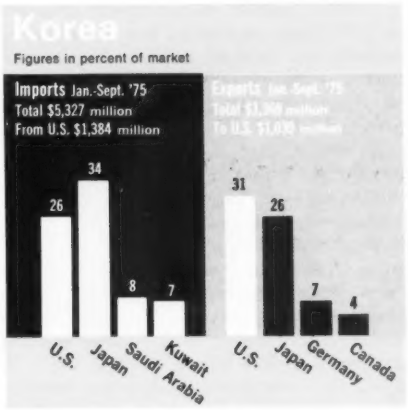


With Taiwan's major trading partners suffering from stagflation, measures were taken by the government to stabilize the economy, improve trade performance, and encourage continued foreign investment. A high level of international reserves and a relatively low level of external debt have been maintained. Inflation was brought under control; however, pressures on prices reappeared in 1975. The large trade deficit which appeared in 1974 was reduced by one-half in 1975. Foreign investment remains below recent annual levels, but given Taiwan's favorable investment climate, substantial improvement should follow full recovery in the Taiwan economy and those of its major investors.

Imports from the United States should reach $2 billion this year. However, to compete successfully for the growing market in Taiwan in 1976, U.S. suppliers must be price conscious and offer competitive financing. They should also comply with specifications, meet requested delivery dates, and provide technical training and after-sales service for their customers.

Goods with the best sales potential include agricultural products, electrical and non-electrical machinery, metals and chemical raw materials. The ten major projects currently under way in both industry and infrastructure offer ongoing opportunities for sales of building and construction machinery and transportation and materials handling equipment. Sustained recovery in Taiwan's export industries will bring increased opportunities for sales of textile, electronics, plywood, plastics, metalworking and food processing machinery. Because of the recession, many companies in these industries postponed expansion plans and purchases or replacement of capital equipment.

The U.S. Department of Commerce opened a Trade Center in Taipei in 1974. Its program of trade promotion events includes exhibitions, technical seminars, catalog shows, trade missions, and facilities for between-show promotions by individual firms. Upcoming events will feature laboratory instruments, educational training aids, electronics production and test equipment, process control instrumentation, communication devices, maritime equipment, food processing and packaging machinery and equipment, machine tools, and pollution control equipment.



KOREA

Outlook Bright For U.S. Sales And Investment

The potential for profitable trade and investment opportunities for U.S. exporters to Korea in 1976 appears bright, according to Harry Stringer of the Bureau of International Commerce.

U.S. industrial sales opportunities should increase in 1976, as Korean imports will probably grow about 10 percent in dollar value. The GNP for 1975 is expected to register a 7.8 percent growth rate in real terms. This growth, however, has been at the expense of a second year of a sizable balance of payments deficit and a strong domestic inflation. During the first ten months of 1975 the national wholesale prices of food increased by 25.5 percent. Tentative Korean targets for 1976, however, include an 8 percent growth rate and a decline in the inflation rate to 12-15 percent.

Korea's Fourth Five-Year Economic Development Plan for 1977-81 is now in the early stages of formulation. The planning guidelines for 1977-81 assume a real GNP growth of 9 percent a year, with the ratio of gross investment to GNP maintained at 28-30 percent. Exports in constant prices are projected to increase at 15.3 percent a year, less than in the past; imports, at 10.8 percent.

Despite lower exports, the economy continued to grow fairly rapidly following the sharp upturn in industrial production which occurred in late 1974 when strong fiscal stimulus was applied. All-time production highs were reached in the first half of 1975 for industrial chemicals, plastic products, non-ferrous metals, fabricated metal products, non-electrical machinery, transport equipment, and precision equipment. Industrial production in the first eight months was 12.3 percent above that of a year earlier. Bumper grain crops also contributed to the good growth.

Korea's balance of payments situation in 1975 eased somewhat due to increased exports and reduced imports. The second half of 1975 current account deficit will be much smaller than the preliminary first half deficit of $1.7 billion, with the full year's total approximating the revised 1974 deficit of $2 billion.

Further easing the trade balance situation, import licenses dropped in the latter half of 1975 due to drawdowns of inventory, reduced investment, tight credit, high import deposit requirements, and lower grain imports. Total imports, f.o.b., should approximate $6.5 billion in 1975 compared to $6.8 billion in 1974. The U.S. share of the growing Korean market expanded almost 2 percent in the first eight months of 1975, compared to 1974. A reduction of perhaps $300 million in Korea's food grain imports in 1976 will tend to reduce the overall U.S. share.

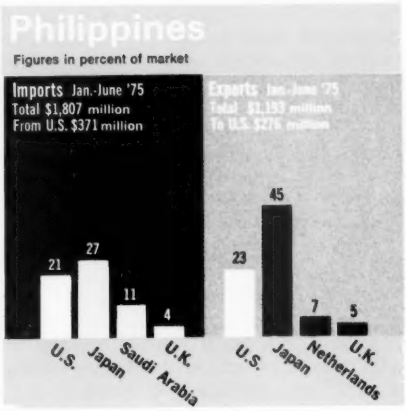
Machinery and equipment products with the greatest sales potential for U.S. suppliers over the next few years are expected to be metalworking and metalfinishing machinery, mechanical handling equipment, energy systems, heading and cooling equipment, textile machinery, laboratory instrumentation, construction and mining machinery, computers and related equipment, business equipment and systems, and process control instrumentation. Major imports from the United States in 1975 were food grains, electrical products, raw cotton, ores and metal scrap, non-electrical machinery, and transportation equipment.

Private foreign investment approvals in the first half of 1975 jumped to $142 million compared to $140 million for all of 1974. Half of these investments were by U.S. firms or third-country subsidiaries of U.S. firms. Japanese firms accounted for most of the remainder. There was a marked shift to a small number of large investments instead of the previous pattern of many smaller investments.

In the first half of 1975 only 22 new foreign investments were approved compared to 170 in all of 1974. Large chemical and fertilizer projects with long lead times accounted for a large share of the first half investment approval figure, while small investments with short lead times in the primary, consumer, and service industries dropped off, reflecting recession abroad and slower growth within Korea. The potential for profitable private U.S. investments in Korea remains good over the longer term.

Korea continues to offer a large supply of industrious semi-skilled labor, adequate land and facilities for new plants, and governmental investment incentives.

An important tool for the promotion of American exports is the U.S. Trade Center in Seoul. U.S. firms wishing to use it should contact the Commercial Attache, American Embassy, Seoul.



PHILIPPINES

Economy Progressing Slowly But Surely

Despite anticipated slow growth through the next six months, the Philippines has good prospects for long-term economic health and stability, according to John E. Walsh of the Bureau of International Commerce.

Heavily hinging on the continued economic upswing of the United States and Japan, the country's full economic recovery appears to be on stream, but not expected at this time until at least early 1977.

A cut in imports and other foreign exchange-saving measures have been authorized to bolster a national austerity campaign, to help cope with an anticipated large budgetary deficit this year aggravated by a sizable hike in the country's fuel bill.

Through 1976, the economy will do well to reach the predicted growth rate of about 5 percent. The trade deficit during the past year is believed to have reached at least $700 million, perhaps as much as $900 million. A recent loan from the IMF oil facility should help to offset the foreign exchange outflow for crude oil. If OPEC oil prices are again raised, additional pressure will be brought to bear on the balance of payments, with increasing recourse to borrowings, either through existing or new credit lines, a likely result.

During the first six months of 1975, Philippine trade with the rest of the world totaled about $3 billion, with imports and exports accounting for $1,800 million and $1,200 million, respectively. As against the previous year's comparable period, total trade was up by only 1.4 percent. The country's net terms of trade suffered by the rising import costs, on the one hand, and shrinking export prices on the other.

Trade with the United States, which comprised 21.2 percent of total external trade, was 37.7 percent lower than the previous year's level. Imports from the United States, comprising 21 percent of total imports, slipped to $371 million, a slight percentage decrease from the previous year. The U.S. led all other countries in supplying the Philippines with machinery other than electric and textile fibers not manufactured into yarn, and was second to Japan as a source of electric machinery, apparatus and appliances, transport equipment, and chemical elements and compounds.

Exports to the United States amounted to $276 million, representing a huge 57-percent drop from the previous comparable period. A sizable portion of this drop was due to the redirection of trade in sugar. Consequently, the Philippines' trade balance with the United States showed a semi-annual deficit for the first time since 1968.

Japan became the country's leading partner by accounting for $984 million, or 34.5 percent of total external trade. It supplied $442 million worth of imported goods, representing 26.7 percent of all imports. As a market for exports, it absorbed a total of $542 million. Significantly, its share of Philippine exports increased by over 11 percent as compared to last year's level. Moreover, it replaced the United States as the principal market for sugar by absorbing almost 70 percent of entire sugar exports for the period. While statistics for such a brief period undoubtedly are insufficient to establish firmly the acceleration of an existing trend, they do indicate a continuing diversification of import sources and export markets—away from dependence on the United States and toward Japan, the European Common Market countries, and other trading nations such as the People's Republic of China.

The attractiveness of the Philippine market is being more and more widely recognized, and U.S. exporters may well expect continued competition over the full range of imported products. Machinery other than electric should continue to dominate U.S. contributions to the Philippine marketplace. Promising potential exists in such sectors as energy systems, food processing and packaging equipment, metalworking machinery and equipment, building products and construction equipment, business equipment and systems, and health care industries equipment and supplies.

U.S. trade promotion activities during 1976 are to include trade missions on timber industries and hotel-restaurant equipment, a technical seminar on health care industries, and catalog shows on educational training aids, business equipment, and automotive supplies and equipment.

HONG KONG

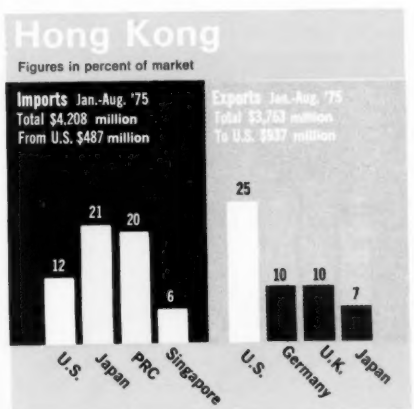
Upsurge On The Way; Investors Are Courted

There is growing confidence that Hong Kong has weathered the economic storm and is about to resume its earlier impressive growth, reports Harry Stringer of the Bureau of International Commerce.

The first statistical evidence of a turnaround appeared in August/September figures, which showed exports up by 18 percent compared with September 1974. It is likely that the strong recovery exhibited by the U.S. economy in the third quarter of 1975, combined with continued, if reduced, inflation in Hong Kong's markets, will cause a sustained upsurge in exports in 1976. Hong Kong's price and wage stability during the past year should improve its competitive position with respect to other exporters in the Far East.

Hong Kong has almost no natural resources and must import nearly all of its raw materials and food. The level of imports is, therefore, an unusually good indication of economic activity. In the first half of 1975, imports were down even more than exports—or 16.9 percent. This trend reversed in September as imports rose 17.6 percent over September 1974. Japan, China, and the United States retained their positions as major suppliers. The U.S. share dropped back from its unusually high 14 percent in the first half of 1974, largely because Hong Kong switched its purchases of cotton from the United States to less expensive suppliers. Major products imported from the United States in 1975 were electrical goods, including electronic components and parts, machinery, nonmetallic mineral manufactures (diamonds), and fruits and vegetables.

The American Fortnight, a series of commercial exhibits, in-store promotions and cultural events from Oct. 18-Nov. 2, had a very favorable impact on sales of American consumer and industrial goods in Hong Kong. Other significant imports from the United States are tobacco, scientific instruments, photographic and optical goods, watches and clocks, textile yarn, fabrics and made-ups, textile fibers, cereals, transport equipment and chemical products.



Hong Kong is anxious to move out of its traditional, labor-intensive product lines into medium and high technology items. The government is particularly looking for investments that will spin off productive and managerial know-how. Although confiident that its very congenial business environment and developed infrastructure will spark investor interest, it is going the extra step in welcoming industrial investment by making land available at attractive prices both through private treaty sales and the establishment of industrial parks.

There are 550 U.S. firms now operatin in Hong Kong. While the majority are regional sales and/or administrative headquarters, more than 106 are engaged in manufacturing and represent over 40 percent of foreign industrial investment in Hong Kong.

Commerce Department trade promotion activities for 1976 include a hotel and restaurant trade mission in July.

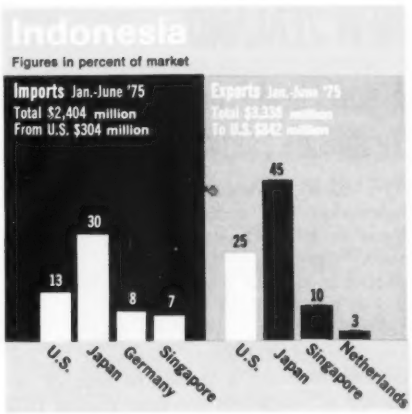
INDONESIA

Sales Prospects Good In Spite Of Problems

U.S. exports to Indonesia in 1976 will probably rise to well over $1 billion, compared with $800-$850 million in 1975. This would represent real export growth, but possibly at a lower rate than that experienced last year, reports M. Virginia Webbert of the Bureau of International Commerce.

Favorable factors are the high level of Eximbank loans, large investment expenditures by U.S. oil companies, and continued competitiveness of many U.S. products. Since June 1974, Eximbank has authorized loans of more than $250 million with export value of nearly $800 million.

U.S. export prospects depend heavily on improvement in Indonesia's financial situation, since it has not fully recovered from the precipitous drop in foreign exchange reserves in 1975 and its foreign trade balance is becoming unfavorable. The high level of foreign aid (some $2 billion in FY 1975/76—Indonesian fiscal year ending March 31) is expected to continue in FY 1976/77. However, worldwide economic recession has led to stagnation in oil and non-oil exports. While



some recovery is anticipated in 1976, unexpected government borrowing needed to bail out the state-owned oil company PERTAMINA, which was unable to refinance its large short-term debt in tightening capital markets, has caused a temporary setback to development plans. Inflation is also a problem, although at the current rate of just under 20 percent annually it is within the targeted ceiling.

President Suharto presented a balanced budget of $8.45 billion for FY 1976/77 on Jan. 7 but voiced serious concern with economic problems. He called the PERTAMINA problem a bitter lesson which is forcing the government to limit new foreign loans and domestic credit expansion, and to exercise caution and vigilance in all economic sectors. While the new budget is only 29 percent larger than in FY 1975/76, development expenditures will be up 51 percent to $4.6 billion—one-third for infrastructure projects. Despite the problems, real GDP growth in 1976 will probably be 7-8 percent.

In 1974 Indonesian imports amounted to $3,842 million and exports to $7,426 million. The very favorable trade balance narrowed substantially in the first half of 1975, however, when imports of $2,404 million were 38 percent higher than in the first half of 1974 and exports of $3,338 million declined by 9 percent. This trend may presage a move to curtail import growth. The United States is still second to Japan as major supplier, but its share of Indonesia's imports dropped from 16 percent in 1974 to 13 percent in the first half of 1975.

Best prospects for U.S. exports continue to be machinery and equipment for major projects planned or under way, with particularly good prospects in timber processing, cargo and materials handling, mining, the textile industry and telecommunications.

To promote U.S. exports, Commerce plans to hold a technical seminar on minerals and ore processing equipment in Jakarta in September.

NEW ZEALAND

Import Level Expected To Remain Fairly High

The New Zealand economy may face somewhat less arduous times this year than in 1975. Overall imports, including those from the United States, are expected to remain reasonably high, according to Nancy Keely of the Bureau of International Commerce. The New Zealand Institute of Economic Research in December forecast a moderate rate of recovery in the world economy during 1976 and an easing during this year and next of New Zealand's balance of payments difficulties. To date, however, the world recession and a substantial adverse balance of trade has continued to exert a strain on the New Zealand economy. Steep increases in the price of imports of petroleum products, industrial supplies, and agricultural equipment, accompanied by a serious decline in receipts for exports of New Zealand meat and dairy products have combined to help produce a continuing adverse balance of trade. Foreign reserves fell from a record level of NZ$1.1 billion in June 1973 to half that in June 1975.

Despite the country's problems with its foreign trade, large quantities of supplies and equipment of a kind imported from the United States will be vitally needed to sustain industry and provide employment for a growing labor force. Additionally, U.S. exports should strengthen due to the complete phasing out of British preferences by July 1977. U.S. exports should receive a further stimulus due to an expected high level of government spending in 1976 and to the work of the Industrial Development Commission, set up to review the efficiency of key industries. Its expected recommendations for better productivity will, in turn, require the installation of new equipment and the adaption of new techniques.

Inflation, running at an annual rate of 14 to 16 percent, continues as a serious problem. However, well-informed observers have forecast a decline in the rate of inflation during 1976 and increases in GNP of 9.5 and 12 percent, in current prices, for fiscal years '76 and '77.

The U.S. share of imports has gone up about one percent per year recently. The United States, New Zealand's third principal supplier, does well in aircraft and parts, internal combustion engines, textiles, chemicals, tobacco, motor vehicles and parts. Specific categories offering particularly favorable prospects for U.S. exports include: saw mills, paper processing, mining, and materials handling machinery (especially labor-saving); computers, office machines, and graphic arts

equipment (especially automated); late models of tractors; pumps; powered tools; telecommunications and electric power generating and measuring equipment; synthetic rubber; fertilizers; cotton and synthetic fabrics.

The U.S. is sponsoring AM-TECH '76, an industrial exhibition, at Auckland during March. Also planned are an industry-organized government assisted (IOGA) trade mission for machine tools and a Commerce specialized mission on graphic arts equipment. Exporters may use the U.S. Trade Center in Sydney, Australia, which serves the New Zealand market.

PAKISTAN

Prospects Encouraging, Although Limited

Pakistan has continued to accommodate itself to its problems, and to manage its economy in sensible fashion, reports Andre Williams of the Bureau of International Commerce.

The gross national product has kept up its 6 percent rate of increase, satisfactory under the circumstances, and indications are that this pace will be maintained in 1976.

The level of business confidence holds steady, and the Government has been true to its commitment not to nationalize additional industries. Conditions are favorable for commercial transactions, although admittedly in a limited number of areas, since many classes of goods, notably luxury and consumer items, are discouraged or barred altogether. The rate of inflation, which had soared to 25 percent in 1974, has been brought down to manageable levels through restraint, and the Pakistan rupee has remained stable at approximately 9.9 to the U.S. dollar.

The recent decision to allow resumption of sales of military equipment augurs well for U.S. makers of vehicles, aircraft, spare parts, airport systems, telecommunications, and other items not primarily intended for aggressive purposes.

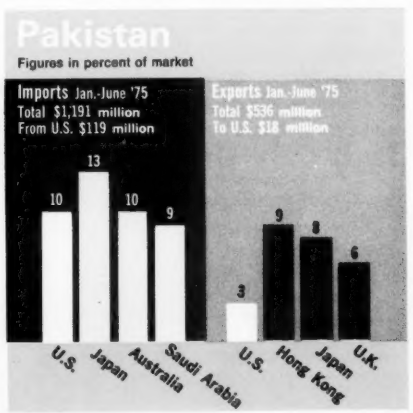
On the other hand, a shortage of hard currency compels Pakistan to secure its needs through barter arrangements, especially with Eastern European countries and the People's Republic of China. The latter is an important supplier of sugar, coal and coke, chemicals, paper pulp and board, and simple electrical controls to Pakistan.

Lack of familiarity with barter deals on the part of American exporters undoubtedly cuts into potential sales opportunities and may, to some degree, account for the erosion of the U.S. share of the market in recent months: in the first six months of 1975, Japan with 13 percent has overtaken the United States, now tied with Australia at 10 percent of the total import figure. However, large fluctuations in these percentages are not unusual, since a good harvest at home reduces agricultural purchases, which have made up the lion's share of Pakistan's expenditures of hard currencies, especially in the United States.

Another factor is the premium now paid for petrochemicals, which has sent Saudi Arabia's slice up to 9 percent of Pakistani purchases abroad. On the other hand, a program of exploration for oil and natural gas deposits should present American manufacturers with sales opportunities over the next several years.

The same items which have been the staple of U.S. trade in the past remain potential best sellers, and these include, in particular, iron and steel manufactures, fertilizer, aircraft and other transport equipment, spare parts, and pesticides.

In the past, the attitude of the Government of Pakistan toward foreign investment has been one of restraint; now there are assurances that such investment is welcome and sought after. Still, there has been no significant recent influx of foreign capital, as potential investors have kept a wait-and-see attitude.



SINGAPORE

Economy Is Following World Growth Trends

Last year was outstanding for U.S. exports to Singapore. The United States was Singapore's largest partner. With the expected revival of the world's economies this favorable situation should continue in 1976, according to J. Lee Barnes of the Bureau of International Commerce.

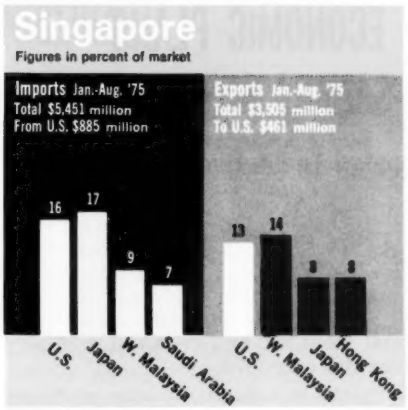
The superior record of U.S. exports to Singapore in 1975 shows the competitiveness and attractiveness of American products in the region. Considering Singapore's entrepot function and the revaluation of currencies, U.S. products should continue to enjoy a good reputation in this large and growing market.

Singapore's growth has slowed as a result of the recessions experienced by its major trading partners. Government economic policy is concentrated on stimulating the economy to counteract these strong recessionary influences on Singapore's historic growth pattern. An easier monetary policy in 1975 resulted in an increase in demand for credit, and banks and finance companies extended a larger volume of loans. Additional government actions included an impressive increase in public sector development expenditures for infrastructure and public housing projects. The government is also providing further incentives for foreign investors and export industries.

Singapore's impressive development during the last decade reflected the expansion opportunities of a modest infrastructure and industrial base. With the economy now mature the government is directing its efforts toward making the country the services and know-how center of the region. Success in achieving this goal would insure continued prominence for Singapore as South East Asia's center for finance, communication and trade.

Singapore's Economic Development Board continues to promote and attract capital intensive, high technology industries, resulting in an increasingly lucrative market for U.S. capital goods. Best U.S. export prospects are metalworking and finishing machinery and equipment, energy and fluid transfer systems, building and construction equipment and supplies, pollution control and laboratory instrumentation and equipment, communications equipment and systems, process control instrumentation, and materials handling equipment.

The U.S. Regional Trade Center in Singapore promotes the sale of U.S. goods and services through a variety of techniques including product exhibitions.



Promotions featuring metalworking and finishing equipment, computers, process controls and instrumentation and graphic arts equipment are planned. Between regularly scheduled events U.S. firms are invited to utilize the facilities of the Trade Center for displays of their products and sales meetings.

Many U.S. companies have located in Singapore to take advantage of the excellent business climate and transportation and communications facilities. The Government's fiscal and monetary policies encourage the establishment of financial institutions. At least 24 U.S. banks with branches or representatives are operating in Singapore.

THAILAND

Uncertainty Continues But Economy Is Strong

With the resignation of Prime Minister Kukrit Pramoj and dissolution of Parliament on Jan. 12, the uncertainty that has hung over the business climate in Thailand will continue at least until after national elections on April 4. Kukrit will remain in charge of a caretaker government until the election and may be reelected, but with more than 40 political parties, and some 22 represented in Parliament, businessmen will wait and see.

The crisis has been precipitated by the strained military situation in Indochina and conspicuous pull-out of U.S. forces, and the concurrent development of trade deals with the Peoples' Republic of China, by students protesting foreign mining concessions and labor unions protesting the proposed rice price increase and by demands for more nationalism and land reform.

On the other hand, Thailand remains with Malaysia at the top of the strong economies in Southeast Asia, Roy Mitchell of the Bureau of International Commerce points out. Thailand has weathered the world recession with an estimated increase in real 1975 GNP very close to the 3.8 percent increase in 1974 over 1973. International reserves were up 15.4 percent as of June 1975 over the year before and were even higher at $1.89 billion as of September 1975. The money supply in May 1975 stood at $1.72 billion, 13.3 percent over one year before.

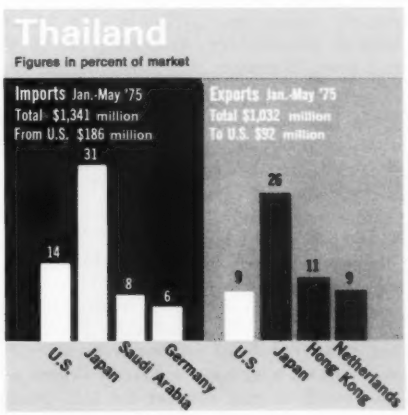
Consumer price increases slowed in 1974, and were only 1.3 percent over 1974 during the first six months of 1975. And while total Thai imports and exports in the first five months of '75 had dropped, both exports from, and imports to, the United States rose by 8.4 and 9.3 percent respectively. The Thai economy can be expected to move up as the world economy recovers in 1976.

With the Thai Government actively encouraging foreign investment, especially in agri-business and export oriented industries, best opportunities may be in these areas. Other opportunities are in mining and manufacturing. Depending on exploration results, there may also be a growing market for equipment in the petroleum and mining industries.

Two trade missions are being planned for Thailand this year. A commercial fishing equipment mission will go to Thailand and Malaysia May 31-June 11, and a communications mission is tentatively scheduled for Hong Kong, Singapore, Thailand and the Philippines in July.

Thai imports from the United States should pass $400 million in 1976 and constitute about 15 percent of all imports. Products in demand from the United States include industrial equipment, equipment for food processing, agribusiness, motor vehicles, consumer electronics, electronic data processing, audio and visual communications, medical care and chemicals.

To assist U.S. firms in expanding sales in Thailand, the Commercial Office of the U.S. Embassy in Bangkok has excellent facilities for product displays, sales and technical seminars, and film or videotape cassette presentations. U.S. firms are urged to encourage local representatives to take advantage of these facilities.



AMBITIOUS ECONOMIC PLANS BUOY SUB-SAHARA AFRICA

U.S. Sales Expected To Continue Expanding

Ambitious economic development plans make the African countries south of the Sahara a growing market for most types of capital goods, machinery and equipment. Demand for U.S. feedgrains and other agricultural products should continue high. As the region strives to increase its own food and other primary product production, farm machinery exports and equipment for agri-business industries also will find an increasing market, reports Walter A. Lundy of the Bureau of International Commerce.

U.S. exports to Sub-Sahara Africa for the first 11 months of 1975 totaled $2.8 billion. When final statistics are available for the year, they should show sales exceeding $3 billion to the area—about a 25 percent rise over 1974. This trend is expected to continue, and exports to the region may reach about $3.8 billion during 1976.

The two major markets

Almost 60 percent of U.S. exports to Sub-Sahara Africa are to South Africa and Nigeria. Sales to Nigeria may have passed the $500 million mark in 1975 or nearly double the 1974 total, but the rate of increase probably will taper off this year because of a projected balance of payments deficit as the oil-rich country's spending spree is compelled to slow down. The estimated $1.3 billion 1975 market for U.S. products in the Republic of South Africa is only about 10 percent higher than in 1974. Most of the increase is due to inflation. The South African economy has been hurt by the fall in the world gold price and double-digit domestic inflation which precipitated a large devaluation of the rand.

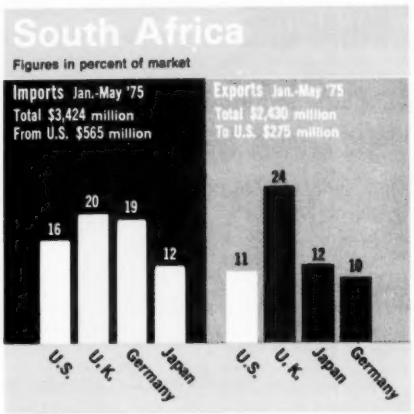
Zaire, where imports from the United States are estimated to have reached record levels in 1975, is the third largest market for American goods in the area. However, a severe foreign exchange shortage is expected to prevent any increase in purchases from the United States this year. Ghana also is short of foreign exchange due to a heavy foreign debt burden and lower export receipts because of declining cocoa prices. Ghana's imports from the United States nevertheless rose by more than 20 percent during 1975 to nearly $100 million. However, Sudan, where American exports increased sharply during 1975 with big sales of diesel locomotives, aircraft and wheat, may have replaced Ghana as the fourth largest market for U.S. goods in Sub-Sahara Africa. The sharp rise in sales to Sudan is not expected to be repeated this year. Liberia remains an important customer for American products, with 1975 purchases expected to total about $90 million—about a 30 percent rise over 1974.

Thanks to a healthy foreign exchange surplus from oil and other minerals exports and an ambitious development program, Gabon's imports from the United States exceeded $60 million during 1975, nearly double 1974. Another big jump is forecast this year. Gabon offers a promising market for agri-business, transport, construction and hydro-electric power equipment. The outlook also is very favorable for U.S. exports to Cameroon, which enjoys a favorable foreign exchange position because of coffee, other agricultural products, and electric power export prospects.

Due to worsening internal security problems, the previously growing U.S. market in Angola has begun to decline. Newly independent Mozambique also decreased its purchases from the United States during 1975. In Ethiopia, the government has embarked upon a course of "Ethiopian socialism," but the foreign exchange outlook is for a continued surplus as long as coffee prices remain high because of losses from early frosts in competitor countries.

Kenya, Ivory Coast and Zambia are other larger African markets for U.S. goods where limited foreign exchange availability is markedly slowing or preventing import growth. Problems created by domestic and world inflation, the quadrupling of petroleum import bills for most countries following the oil price increases which began more than two years ago, and the falloff in earnings from tourism because of the world recession diminish the growth in import capacity of most African countries. Most nations in the region remain heavily dependent on foreign exchange earned from the export of one or two primary products. When international commodity prices fall sharply, they often are forced to cut back on imports.

Nevertheless, total U.S. sales to the African countries south of the Sahara should continue to increase. The competitive position of American exports has been helped by the recent ending of reverse preferences formerly extended to European Community products, and by more rapid inflation in Europe and Japan.



SOUTH AFRICA

Short-Term Outlook Is For Slower Growth

Not immune from the effects of the world's worst economic slump in 40 years, South Africa probably recorded no more than a 2 percent real growth in GNP for 1975. The country appears to have reached the nadir of the downward cycle which began in the final quarter of 1974, adds Sally K. Miller of the Bureau of International Commerce.

The period from late June until early October 1975 marked the initiation of a series of corrective measures to combat what South Africans term "slumpflation." Two devaluations of the South African Rand brought about the adjustment of most concern to U.S. businessmen. The first moved the Rand/dollar rate from $1.45 to $1.40; the second, on Sept. 22, lowered the rate to $1.15. The combination, 20.7 percent, amounted to the largest devaluation ever made against the Rand.

Three principal causes were given for the currency alterations. Purchases made by a rapidly expanding South African economy during 1974 were flooding in.

Secondly, South African exports, in contrast, with particular emphasis on ores and metals, were not keeping pace. South Africa's markets were each weathering their own economic downturns. By the close of the year, there was encouraging news that the United States might be climbing out of its recession but forecasts were gray for Britain and not yet bright for the rest of the EEC and Japan.

Thirdly, the London and Zurich gold markets reacted sharply in the negative to the IMF's announcements to sell a portion of its bullion holdings to raise funds for developing countries. The market briefly tumbled to $130 an ounce. This combination of events, when cou-

pled with the concurrent strengthening of the dollar vis-a-vis the French franc and the West German Deutschmark and the slide of sterling, was sufficient to compel the downward movement of the Rand.

U.S. exports of both capital and consumer goods have thereby become markedly more expensive on the South African market. Normal trade patterns may keep U.S. exports in the $1.2 billion range, but aggressive marketing efforts are being waged by Great Britain and West Germany.

U.S. product competitiveness should be assisted by several recently announced tariff and import control changes. The tariffs on selected items have been raised—usually to the range of 10 to 25 percent—while import licensing and quota controls have been removed on a variety of products of keen interest to U.S. firms. Among these are a significant range of machine and metalworking tools, and various sizes of refrigerators.

Industry and government parastatals will be proceeding somewhat more slowly with large-scale capital expansion projects. Nonetheless, key projects such as the semi's plant at Saldanaha Bay and the SASOL II project will proceed on schedule; however, further expansion for ISCOR will likely be deferred. Gold mining companies will shift their workings to richer lodes to maximize bullion output at the least cost.

Imported equipment will continue to play a major role in South African industrial developments. Large projects in this market include oil refinery expansions in Cape Town and Durban, erection of the larger SASOL II coal gasification and liquefaction plant, construction of a new international airport near Durban, building of ESCOM's first nuclear power plant at Koeberg north of Cape Town, development of that corporation's hydroelectric scheme for the Drakensbergs, and the country's pioneering uranium enrichment plant.

Imports will also be a likely source of railway locomotives, rolling stock and related repair and controlling equipment. The agricultural sector is looking hard at increased mechanization, particularly the sugar cane industry. U.S. printing and graphic arts equipment is highly respected by the South African press, which is seeking to achieve a greater degree of automation. U.S. materials handling equipment manufacturers should find growing markets for their products in a variety of uses from mines to ports. Consumer items, including both apparel and leisure goods, from the United States enjoy an excellent reputation and are actively sought out by style conscious buyers. Expanding South African coal exports should provide sales opportunities for strip and anthracite mining equipment.

NIGERIA

Import Level May Top $10 Billion By 1979

U.S. exports to Nigeria may reach $950 million in 1976, up 82 percent over 1975, continuing a strong three-year upward trend, Rodney P. Rydlun of the Bureau of International Commerce reports.

The oil-fed boom continues in Nigeria despite crude production cutbacks and softening world demand for oil as a result of higher OPEC prices. Nigeria's steepening pace of imports is expected to top $10 billion by 1979. Vital decisions on major national development projects are expected early in 1976 from the new Federal Military Government (FMG) which should lead to substantial contracts for U.S. suppliers. Nigeria's GDP is estimated at over $23 billion. But per capita income has yet to break $300 in the eighth most populous nation in the world. Purchasing power is concentrated in the cities among perhaps 3 percent of the 80 million population and a growing foreign community of about 20,000. The real growth rate has been around 9 percent annually for the last six years. The Third National Development Plan, 1975-80, is dedicated to the continued progression of this growth rate, in spite of inflationary pressures as great as 60 percent during 1975.

Business confidence in Nigeria has been strengthened by the July leadership changes in the FMG. Long delayed major decisions are now being made, contracts are being let and government procurement under the $50 billion Third Plan for development has gotten off to a sure start.

In the private sector, Nigerian entrepreneurs are searching for qualified joint venture foreign partners with capital and technology to make indigenization work. Nigeria has the ability to pay and port congestion is currently being eased.

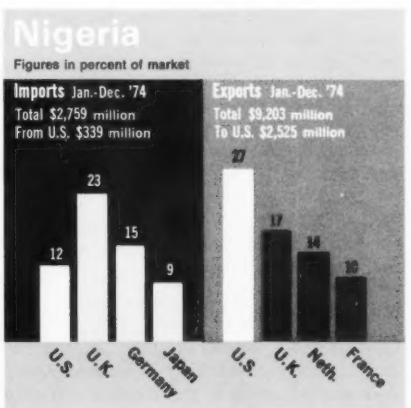
When to bid and how to win supply contracts becomes the key to doing a more successful business in Nigeria. This key is in the hands of the growing numbers of capable Nigerian attorneys and businessmen who are being born out of the Nigerian Enterprises Promotion Decree. Non-Nigerian firms must find reliable local agents or establish a Nigerian company to develop follow-on sales in this burgeoning market.

The new Nigerian government, after thorough investigation of alternate sources, has been or is in the process of contracting with U.S. firms for diesel line locomotives; highway construction; port decongestion; federal, state, city, rural and agricultural planning; low cost and military housing; 8,000 trucks and fork lifts worth $140 million; 200,000 pairs of combat boots; oil field equipment and systems; telecommunications and power transmission. But U.S. suppliers should not be lulled by these substantial breakthrough transactions because strong U.K., West German, Japanese, French, Italian, Yugoslav, Romanian, and Brazilian initiatives are working to keep the American share of this market at the 10-12 percent range.

In the coming year, construction, building, design, management and related goods and services are by far the greatest need, tieing into an $8 billion road-building program, $3 million education system, and a $2 billion expansion of health facilities.

In 1976, the Commerce Department will sponsor a trade mission on avionics and ground support equipment, a catalog show on consumer goods, and technical sales seminars on semi-arid land development, telecommunications, and American office technology. Best prospects for sales in 1976, in addition to the above, include building and construction supplies and equipment; materials for health care; energy systems generation and transmission; oil field, gas gathering and process plant equipment; other agricultural production and processing machinery, services and equipment; material handling machinery and equipment; graphic arts equipment; and motor vehicles maintenance tools and facilities.

The following priority projects are expected to move closer to realization in 1976: three iron and steel mills; three commercial vehicle plants; two oil refineries; two gas liquefication plants and related gas gathering facilities and downstream petrochemical complexes; fertilizer, glass, cement, sugar, and pulp and paper production facilities. Heavy spending during 1976 is expected to go for imports to develop transportation, communications and utility grids, ports, education, housing, military supply, agriculture, health facilities, and product research.



IVORY COAST

Exchange Shortages Seen Slowing U.S. Sales

U.S. exports to Ivory Coast should reach $80 million in 1975, a 65 percent increase over the level reached in 1974. Exports in 1976, however, are expected to drop to an estimated $50 million, reflecting recent Ivorian foreign exchange shortages, according to Marlene D. McKinley of the Bureau of International Commerce.

Ivorian international reserves declined from $65 million at the end of 1974 to less than $18 million at present. This marked decrease has been attributed primarily to a major shift in the Ivorian balance of trade. Increased prices for petroleum and grain imports as well as severe declines in Ivorian exports of coffee and timber, which account for over half of Ivorian foreign exchange earnings, have impacted heavily on Ivory Coast's traditional balance of trade surplus. In addition, major debt repayments have also been linked to Ivory Coast's depleted reserves. Decreased timber exports, as a result of depressed European markets, are not expected to recover in the near future. Record highs in world market coffee prices, however, are expected to offer major foreign exchange relief.

France remains Ivory Coast's major trading partner, capturing close to 40 percent of the market in 1974. Ivory Coast's recent action at the conclusion of the Lome Convention to abolish reverse preferences granted EEC countries is expected to have a significant impact on France's future trading position. Moreover, the Ivorian Government has expressed a desire to increase trade relations with the United States. Several new development projects offer potential prospects for American suppliers of heavy equipment and machinery including sugar refinery, mining, and port expansion equipment.

Ivory Coast's gross domestic product, one of the largest in Africa, increased by a record 55 percent in 1974, reaching $3.7 billion as compared to $2.4 billion in the previous year. Furthermore, per capita GDP in 1974 was estimated at $602, reflecting an increase of 45 percent over the $415 figure in 1973.

Ivory Coast's past stable economic climate and liberal investment laws have attracted significant foreign investors to this market. Continued confidence in the economy is expected to maintain current foreign investment levels. The Ivorian Government welcomes U.S. investment and is actively soliciting increased American participation in the Ivorian economy. A number of investment opportunities in agri-business, wood processing, tourism, and light industry may be attractive to U.S. firms.

Aside from the commercial opportunities the Ivorian economy offers, its central location and modern capital of Abidjan have encouraged many U.S. firms doing business in West Africa to establish their regional headquarters in Abidjan. Recently, a U.S. accounting firm, a consulting firm, and a commercial bank have opened offices there.

Ivory Coast

Comparable data not available for recent competitive market share comparisons; some major trading nations report the following totals on their trade with the Ivory Coast:

From the U.S., Jan.-Oct. 1975, $72 million
From France, Jan.-July 1975, $269 million
From Germany, Jan.-Sept. 1975, $37 million
From Italy, Jan.-Aug. 1975, $29 million
To the U.S., Jan.-Oct. 1975, $116 million
To France, Jan.-July 1975, $239 million
To Germany, Jan.-Sept. 1975, $148 million
To Italy, Jan.-Aug. 1975, $87 million

KENYA

Economy Is Adjusting To New Growth Tempo

U.S. exports to Kenya are expected to reach $65 million in 1976, according to Mary L. Manley of the Bureau of International Commerce.

Kenyan statistics for the first half of last year testify to the significant reduction in import volume as compared with the same period in 1974. Total import costs, however, continue to rise. Import licensing controls, higher sales taxes and import duties on a wide range of non-essential and luxury items, as well as the inventory buildup of 1974, were responsible for the reduced volume.

Kenyan authorities anticipate that 1976 will be another unsettled year for Kenyan trade. Other than the excellent outlook for coffee, exports are expected to remain stagnant. Import emphasis will be on capital goods, including items which the United States has traditionally exported (transportation equipment, agricultural equipment and light industrial machinery).

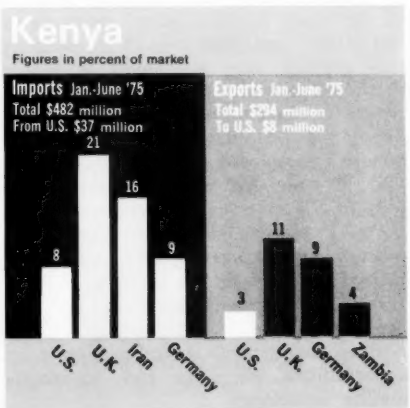
GDP (estimated at $2.3 billion) grew by only 3.6 percent in 1974, as compared to the 1964-73 average annual rate of 6.3 percent. The pace of the Kenyan economy now and at least in the near future is one of deceleration. The new tempo follows the rapid rise of urban growth in 1960-73. Development priorities have been shifted to agricultural production and agri-industrial expansion in rural areas. Although difficult times still lie ahead, there are indications that the economy is adjusting to its new economic situation.

On Oct. 27, the Kenyan shilling was devaluated 14 percent and pegged to the IMF's Special Drawing Rights. Devaluation was viewed as mandatory by Kenyan authorities to halt the escalating trade deficit. Devaluation *per se* is not expected to work a miracle in 1976 as merchandise inventories will have been depleted, petroleum expenditures will be about 20-25 percent of the import bill, and the volume of Kenyan exports is not likely to have fallen substantially. Devaluation has, however, reinforced the Kenyan Government's long-term commitment to restructuring the economy in order to remove income and price distortions.

The greater development emphasis on the rural sector should increase demand for grain handling equipment, sugar cane handling and processing equipment, and food processing and packaging machinery. Traditional U.S. exports of light industrial machinery and equipment, agricultural chemicals, and transportation equipment are likely to be good sales prospects in 1976.

Demand for health care equipment and services has increased in light of the continuing expansion of health and other social services.

On the investment side, Kenya offers a favorable environment for many industries. Kenya officials have indicated their desire for increased investment to provide needed capital, technology and equipment. In 1975 U.S. business committed $25 million in new investments, notably in joint ventures for a fertilizer complex and a motor vehicle assembly plant.



SUDAN

U.S. Exports Continue Strong Upward Trend

U.S. exports to the Sudan may reach $133 million in 1976, up 25 percent over 1975, continuing a strong four-year upward trend, according to Mary L. Manley of the Bureau of International Commerce.

The U.S. share of the market increased in 1974. Items attributing to much of the increase are aircraft, diesel locomotives, telecommunications machinery, heavy-duty earthmoving equipment, agricultural machinery and telecommunications equipment.

In 1975 the United Kingdom was first and the People's Republic of China and India were second and third, respectively, among the Sudan's suppliers.

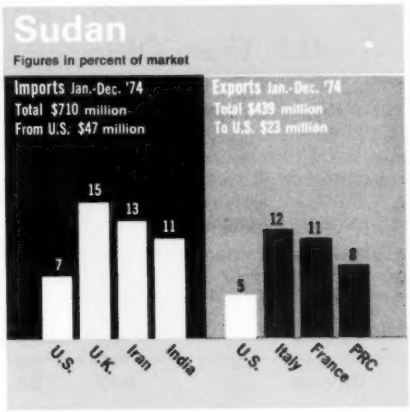
The rapid rate of increase of Sudanese imports sustained since 1973 seems likely, however, to decelerate before 1977. The Sudan's international payments obligations will absorb an increasing portion of the country's foreign exchange after 1977. On the positive side, the Sudan has an undisbursed balance of external credit of $376 million and seems likely to have a continuing line of credit from its wealthy Arab financiers. In addition, the Sudan Government is striving to maximize short-term gains to achieve a moderate growth rate in order to establish a sound economic base. GDP, which was estimated at $1.7 billion in 1974, had minimal growth in 1975.

The substantial progress the Sudan is making to overcome the stagnation that plagued much of the economy for 20 years is evidenced by the multiplicity of projects under way. They include a $24 million railroad modernization program; an oil products pipeline; port and airport expansion projects; road improvement and extension projects; a microwave telecommunications system; the $350 million Rahad Irrigation Project; and the Second Sudan (hydroelectric) Power Scheme. The World Bank Group is financing rail and ancillary port improvements and Kuwait committed funds for road projects in the southern region.

Self-sufficiency in basic industrial production is also a developmental priority. Machinery and equipment imports are required for horizontal and vertical expansion of the established food processing and canning industries. Tanneries, textile plants and sugar factories are expanding rapidly. Investors are sought for export-oriented light industries and for agricultural machinery and truck assembly plants. Two abbatoirs are to be built, one at Kadro near Khartoum and the other in the Port Sudan free zone. Five factories for construction materials are planned. In addition, one American firm has contracted to construct a cement plant, and another is participating in construction of a fertilizer complex.

The Sudan Government encourages private investment in industry and offers financial and technological assistance through the Industrial Bank of Sudan.

Despite infrastructural limitations, the Sudanese market is proving increasingly attractive to U.S. businessmen, especially those interested in trilateral ventures using Arab oil money. By acquiring a local agent or representative and by personal visits to the Sudan, U.S. suppliers should be able to establish a firm stance in the Sudanese marketplace.



ZAIRE

Year Of Transition Limits Sales Prospects

U.S. exports to Zaire are expected to decline in 1976 significantly from their record 1975 level, according to Philip Michelini of the Bureau of International Commerce, due to retrenchment necessitated by the severe dislocations and foreign exchange crunch which the economy has experienced since the last quarter of 1974.

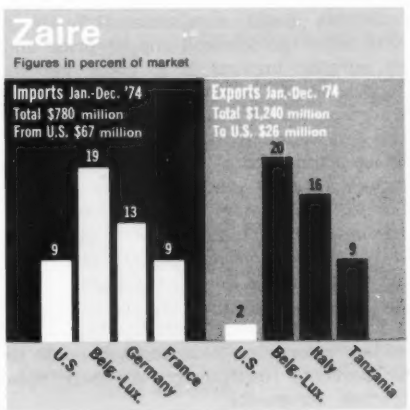
Taking into account an inflation factor of 15 percent, American export totals likely will fall at least 5 percent during the current year. Until the Zairian economy begins to straighten out, exports from the United States will consist primarily of foodstuffs and high priority product categories related to the country's development program.

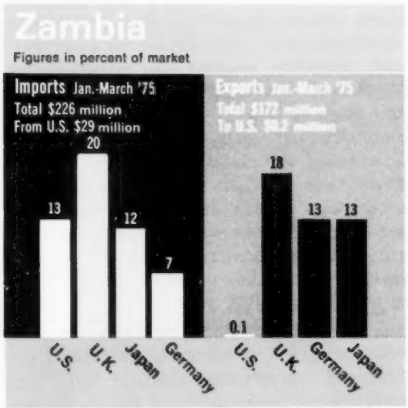
Zaire's current difficulties stem from a variety of causes. Depressed prices for copper, which provides the country with over 60 percent of its foreign exchange, restricted government revenue inflows during a time when public expenditures were increasing rapidly due to the demands of an ambitious development program and an expanding bureaucracy. Also upsetting was a disruption in commerce and industry related to uncertainties, bottlenecks and shortages stemming from the implementation of Zairianization and radicalization measures announced by the Head of State, President Mobuto Sese Seko, in 1973 and 1974. One side effect has been that creditors, including exporters, have experienced delays in collecting payment for goods and services rendered, a development likely to continue during 1976.

The gross national product in 1975 was estimated to have reached $3.15 billion, a 3 percent increase over 1974. The inflationary level declined to 15 percent from the 26 percent rate attained the previous year. GNP is expected to reach $3.5 billion in 1976, with real growth likely to be less than 2 percent due to continuing inflation within the Zairian economy.

To help turn the economy around and promote a better business climate, President Mobutu on Nov. 25 announced a "new economic policy." Much of the program of state control connected with Zairianization and radicalization has been repealed or modified. Greater stress and freedom are to be accorded the private and mixed economy sectors. Aided by the international community, Zaire is planning during the coming year to consolidate its economy with a view toward heightened development after 1976. Further announcements, which will involve major policy decisions affecting budgetary expenditures, trade and economic priorities, are expected shortly.

Best prospects for U.S. export sales to Zaire will continue to occur in product areas pertaining to high priority projects for which financing already has been arranged. These include the Gecamines copper mines expansion, the Inga-Shaba power transmission line, and the development of Zaire's new petroleum industry. Food sales should increase and good sales opportunities in connection with the development of Zaire's agri-business sector should emerge during 1976.





ZAMBIA

U.S. Sales Approach First $100 Million Year

Despite a convergence of difficulties that would lead one to project the opposite, American businessmen are close to achieving the first $100 million year in exports to Zambia, according to Sally K. Miller of the Bureau of International Commerce.

On the basis of Zambian figures for the early months of 1975, the United States achieved a trebling of its share of the Zambian market, from 4.4 percent in 1974 to 13.2 percent. Items mostly responsible for the sharp rise were construction and mining machinery, aircraft, trucks, railway locomotives and equipment, mechanical handling equipment, agricultural machinery and telecommunications equipment. Despite the country's stated effort to restrict imports to a level of $800 million, first quarter figures project a 1975 bill of $900 to $1,000 million.

As import figures became clearer, it was announced Oct. 31 that import license requests for goods in three categories would be viewed most negatively: those granted a monopoly by a particular organization, those classed as luxurious or unnecessary, and those protected items produced locally.

Zambia could cope more effectively with both the lowered copper price and its surging imports if it could get its copper out to world markets. However, transport bottlenecks cropped up anew this fall as the crucial Benguela Railway, which carries both Zambia's and Zaire's copper through Angola to the Port of Lobito, was damaged by explosives. Upwards of a million dollars worth of freight waits in the port for onward shipment. Sixty percent of Zambia's copper needed to find new routes to the sea.

Both RCM and NCCM, the large mining companies, have revoked on 30 to 40 percent, respectively, of their contracted shipments.

Within the country, agriculture is receiving top attention as an employer and conserver of foreign exchange. Corn, sugar, wheat and tobacco are the crops of emphasis. The private sector in Zambia is being increasingly circumscribed as the Zambian Government seeks to implement its philosophy of Humanism. Wholesale operations are, since Jan. 1, in the hands of the state Zambian National Wholesale and Marketing Corporation (ZNWMC). All existing licenses have been terminated and only a "few selected (private) groups" will be allowed to remain, but in tandem with the ZNWMC.

Despite the exigencies of Zambia's current economic situation, U.S. sales should remain strong in the fields of heavy construction and mining equipment, road and rail transport equipment, agricultural equipment and supplies, and petrochemical products. Specific projects offering sales opportunities include expansion of the country's sugar estates, expansion of generating capacity at the Kariba and Kafue hydro installations, a proposed iron and steel mill near Slowezi, and a second Dar es Salaam-to-Ndola pipeline. The larger of the two mining firms, NCCM, is contemplating a four-year program costing $400 million; projects include development of new mines as well as improvements in existing ones and accompanying installations.

U.S. Share Of Imports Into Selected Countries

Area and country	1974 Imports			1975 Imports January through latest month			
	From world (million	From U.S. dollars)	U.S. share %	Latest month	From world (million	From U.S. dollars)	U.S. share %
WESTERN HEMISPHERE							
Barbados	204	39	19.3	June	104	21	20.5
Bermuda	155	69	44.4	(1)	(1)	(1)	(1)
Guadeloupe	230	[2]10	[2]4.2	June	150	(1)	(1)
Guyana	254	65	25.7	Apr.	114	33	29.3
Martinique	293	[2]13	[2]4.3	June	175	(1)	(1)
Paraguay	198	18	9.1	Oct.	180	21	11.4
Uruguay	460	36	7.8	Sept.	365	(1)	(1)
WESTERN EUROPE							
Cyprus	408	26	6.3	Sept.	223	6	2.7
Iceland	535	42	7.9	Sept.	353	29	8.3
Ireland	3,805	247	6.5	Oct.	3,132	222	7.1
Malta	361	21	5.9	Mar.	94	4	4.4
NEAR EAST-NORTH AFRICA							
Jordan	482	55	11.3	May	238	24	10.2
Libya	2,762	107	3.9	June	2,185	(1)	(1)
Syria	1,224	36	2.9	Mar.	347	(1)	(1)
FAR EAST-SOUTH ASIA							
Bangladesh	1,096	221	20.2	Apr.	164	(1)	(1)
Laos	[2]70	[2]5	[2]6.9	(1)	(1)	(1)	(1)
New Caledonia	283	[2]11	[2]3.9	June	179	(1)	(1)
Sabah	485	[2]53	[2]11.0	Mar.	109	12	11.0
Sri Lanka	685	22	3.2	June	388	(1)	(1)
Viet-Nam, Rep. of	907	492	54.2	(1)	(1)	(1)	(1)
West Malaysia	3,486	328	9.4	Mar.	779	83	10.6
OTHER AFRICA							
Cameroon	436	27	6.2	Mar.	152	12	8.0
Ethiopia	275	16	5.6	June	158	(1)	(1)
Ghana	809	87	10.8	Mar.	211	(1)	(1)
Malawi	188	6	3.1	Mar.	50	1	2.8
Mali	123	6	5.0	June	114	(1)	(1)
Mauritius	309	16	5.0	June	166	9	5.7
Mozambique	462	27	5.9	(1)	(1)	(1)	(1)
Reunion	352	[2]4	[2]1.1	Mar.	92	(1)	(1)
Rwanda	58	3	4.9	Mar.	21	(1)	(1)
Senegal	457	27	6.1	June	290	19	6.5
Sierra Leone	224	20	9.0	May	75	6	7.8
Tanzania	814	55	6.8	Aug.	671	88	13.2
Toga	119	5	4.3	May	62	2	4.0
Uganda	218	6	2.8	Aug.	139	3	1.9

Note: The selected countries are those whose total imports were valued at $50 million or more in 1974 and are not covered in the country articles in this issue. In order to present comparable statistics for all countries, import data have been adjusted from an f.o.b. to a c.i.f. valuation for Paraguayan imports from the United States.

[1] Not available. [2] Estimated from partial year data.

Sources: Official trade statistics of listed countries.
International Monetary Fund, *International Financial Statistics.*

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International Marketing Events

Overseas Export Promotion Calendar

October 1975 — December 1976

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